

**DIVISION OF SELECTED AGENCY
SUPPORT SERVICES
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2003**



AUDIT SUMMARY

Our audit of the Division of Selected Agency Support Services for the year ended June 30, 2003, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting system;
- no material weaknesses in internal controls; and
- no instances of noncompliance with applicable laws and regulations that are required to be reported.

AGENCY BACKGROUND

This report includes the financial activity of the agencies below. The Secretary of Administration's Division of Selected Agency Support Services keeps the accounting records for these agencies:

Secretary of the Commonwealth
Charitable Gaming Commission
Commission on Virginia/Israel Advisory Board
Interstate Organization Contributions
Office for Substance Abuse Prevention
Virginia Liaison Office
Virginia Veterans' Care Center Board of Trustees

As of July 1, 2003, the Virginia Veterans' Care Center was a fully state-operated facility and the Board and Center became part of the Department of Veteran Services. The Division of Selected Agency Support Services will not maintain the accounting records for the Department of Veteran Services.

The Department of Charitable Gaming and the Charitable Gaming Board replaced the Charitable Gaming Commission as of July 1, 2003. The Division of Selected Agency Support Services will continue to provide accounting services for the Department of Charitable Gaming.

The Division also keeps records for the Offices of the Governor and Lieutenant Governor, the Governor's Cabinet Secretaries, and the Virginia Racing Commission. We issue separate reports on these entities and include the Citizens' Advisory Council on Furnishing and Interpreting the Executive Mansion in the report of the Office of the Governor.

Secretary of the Commonwealth

The Secretary of the Commonwealth performs the following duties:

- Serving as custodian of the Governor's official records;
- Handling services of process on some defendants in civil actions, processing extraditions, and restoring civil rights;
- Registering and regulating lobbyists, appointing and regulating notaries public;
- Researching and coordinating recommendations for Gubernatorial appointments to boards and commissions;
- Compiling and publishing the Report of the Secretary of the Commonwealth;
- Maintaining conflict of interest statements filed by state officials; and
- Maintaining the Governor's Executive Journal and papers.

The Secretary of the Commonwealth receives funding through General Fund Appropriations. The following reflects the Secretary's financial activity for fiscal year 2003.

Original appropriation per Chapter 899		\$ 1,491,684
Reductions per Chapter 1042		<u>(126,925)</u>
Appropriations per Chapter 1042		1,364,759
Adjustments:		
Supplemental appropriation for:		
Unanticipated expenses:		
Operations	266,682	
Additional Appropriation designated for transfer to the Office of the Governor	949,000	
Transfer to Office of the Governor	<u>(949,000)</u>	266,682
Mandated changes:		
Bonus funding	13,314	
Health insurance premiums	11,045	
VSDP rate increase	3,551	
Management savings	(88,856)	
VSDP rate reduction	(1,758)	
Retirement contribution rate reduction	(31,880)	
Group life insurance savings	(6,015)	
Retiree health credit reversions	(2,381)	
Other	<u>(305)</u>	<u>(103,285)</u>
Net supplemental appropriations		<u>163,397</u>
Adjusted appropriations		1,528,156

Expenses:

Salaries and fringe benefits	1,005,845
Contractual	375,310
Supplies	27,021
Continuous charges	94,439
Other	<u>17,828</u>
Total expenses	<u>1,520,443</u>
Unexpended balance	<u>\$ 7,713</u>

The Secretary also collects revenues on behalf of the General Fund of the Commonwealth and deposits these funds directly with the Treasurer of Virginia. The Secretary cannot use these collections to meet current operating needs.

Collections:

Services of process	\$ 1,244,993
Notary commission fees	1,004,542
Lobbyist fees	104,851
Certificates of authentication	246,092
State publications sales	12,222
Other	<u>2,038</u>
Total collections	<u>\$ 2,614,738</u>

Charitable Gaming Commission

The Commission oversees all charitable gaming in the Commonwealth. The Commission establishes and enforces regulations over charitable gaming to ensure gaming integrity and the proper use of game revenues. The Commission receives permit application and audit fees from qualified organizations to fund its operations. As of July 1, 2003, the Department of Charitable Gaming and the Charitable Gaming Board replaced the Charitable Gaming Commission. The following is the Commission's financial activity for fiscal year 2003.

Beginning balance	\$ 3,043,237
Revenues:	
Application permit fees	3,117,287
Interest	<u>3,626</u>
Total revenue	3,120,913
Expenses:	
Salaries and fringe benefits	1,482,445
Contractual services	211,849
Continuous charges	198,545
Equipment	55,411
Other	<u>31,105</u>
Total expenses	1,979,355
Transfers to the General Fund of the Commonwealth	<u>3,203,222</u>
Ending balance	<u>\$ 981,573</u>

Commission on Virginia/Israel Advisory Board

The Israel Advisory Board provides advice to the Governor on ways to improve economic and cultural links between the Commonwealth and the State of Israel with a focus on the areas of commerce and trade, art and education, and general government. The Board consists of 29 members appointed by the General Assembly and Governor. No members of the Board receive compensation for their services. In fiscal year 2003, the Board received General Funds transferred from the Department of Business Assistance.

Transfer from the Department of Business Assistance		\$ 175,000
Expenses:		
Salaries and fringe benefits	103,620	
Contractual services	63,088	
Other	<u>7,867</u>	
Total expenses		<u>174,575</u>
Unexpended balance		<u>\$ 425</u>

Interstate Organization Contributions

Interstate Organization Contributions are memberships to the National Governors Association and other national organizations. Interstate Organization Contributions receives only General Fund appropriations.

Original appropriation per Chapter 899	\$ 238,872
Reductions per Chapter 1042	<u>-</u>
Appropriation per Chapter 1042	238,872
Adjustments:	
Management savings	<u>(12,265)</u>
Total adjusted appropriation	226,607
Expenses:	
Contractual services	<u>226,607</u>
Unexpended balance	<u>\$ -</u>

Office for Substance Abuse Prevention

The Office for Substance Abuse Prevention helps coordinate the Commonwealth's substance abuse prevention activities. The Office cooperates with federal, state, and local agencies, private and public agencies, interested organizations, and individuals in order to prevent substance abuse within the Commonwealth. In fiscal year 2003, the Office received federal grant funds transferred from the Department of Mental Health, Mental Retardation, and Substance Abuse Services and a temporary operating loan from the Department of Treasury. The following reflects the financial activity of the Office.

Beginning balance		\$ 1,512
Transfers:		
Federal grant funds from the Department of Mental Health	305,838	
Temporary operating loan from Department of Treasury	100,000	
Cash Transfer from the Department of Alcoholic Beverage Control	<u>35,000</u>	
Total transfers		440,838
Expenses:		
Salaries and fringe benefits	183,751	
Contractual services	224,260	
Other	<u>16,495</u>	
Total expenses		<u>424,506</u>
Unexpended balance		<u><u>\$ 17,844</u></u>

Virginia Liaison Office

The Virginia Liaison Office promotes Virginia's interests with the federal government. The Office receives a General Fund appropriation and a transfer of funds from the Transportation Trust Fund. As of July 1, 2003, the Virginia Liaison Office was abolished and all responsibilities transferred to the Governor's Office. Below is the net financial activity for the Office during fiscal year 2003.

Original appropriation per Chapter 899		\$ 233,698
Reductions per Chapter 1042		<u>(6,128)</u>
Appropriation per Chapter 1042		227,570
Adjustments:		
Supplemental appropriation for:		
Unanticipated expenses:		
Operations	71,149	
Mandated changes:		
Bonus funding	2,281	
Health insurance premiums	1,606	
VSDP rate increase	382	
Management savings	(56,429)	
Retirement contribution savings	(3,429)	
Group life insurance savings	(647)	
Retiree health credit reversions	(256)	
VSDP rate reduction	<u>(189)</u>	<u>(56,681)</u>
Net supplemental appropriations		<u>14,468</u>
Adjusted appropriations		242,038
Other resources:		
Transfer from Transportation Trust Fund		<u>117,083</u>
Total appropriation and resources		359,121
Expenses:		
Salaries and fringe benefits	241,898	
Contractual services	24,759	
Continuous charges	71,376	
Other	<u>12,413</u>	
Total expenses		<u>350,446</u>
Unexpended balance		<u>\$ 8,675</u>

Virginia Veterans' Care Center Board of Trustees

The Virginia Veteran's Care Center Board of Trustees administers an adult care and nursing home facility for Virginia's veterans. During fiscal year 2003, the Center changed operation from having a contractor provide services to having the state operate the facility. As of July 1, 2003, the Center was a fully state-operated facility and the Board and Center became part of the Department of Veteran Services. The following reflects the Veteran's Care Center financial activity for fiscal year 2003.

Beginning balance		\$ 680,148
Revenues:		
Insurance and resident payments	12,510,859	
Health support fees	124,674	
Interest	<u>23,312</u>	
Total revenues		12,658,845
Expenses:		
Salaries and fringe benefits	372,841	
Contractual services	10,620,126	
Continuous charges	553,553	
Other	<u>6,716</u>	
Total expenses		11,553,236
Less transfers		<u>57,959</u>
Unexpended balance		<u><u>\$ 1,727,798</u></u>

August 26, 2003

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Kevin G. Miller
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Division of Selected Agency Support Services** for the year ended June 30, 2003. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Division's internal controls, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Division's operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Expenditures	Appropriations
Revenues	Fixed Assets

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Division's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Division's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Division properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Division records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

We discussed this report with management on September 24, 2003.

AUDITOR OF PUBLIC ACCOUNTS

DBC/kva
kva:

DIVISION OF SELECTED AGENCY SUPPORT SERVICES
Richmond, VA

As of June 30, 2003

Anita A. Rimler
Secretary of the Commonwealth

Stanley J. Lapekas
Director, Charitable Gaming Commission

Ralph Robbins
Executive Director, Virginia/Israel Advisory Board

William H. Leighty
Chief of Staff, Interstate Organization Contributions

Marilyn P. Harris
Director, Office for Substance Abuse Prevention

Jan B. Faircloth
Director, Virginia Liaison Office

Paul M. Steube
Chairman, Board of Trustees, Virginia Veterans' Care Center

Dennis Johnson
Director, Division of Selected Agency Support Services