



VETERANS SERVICES FOUNDATION

REPORT ON AUDIT FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Auditor of Public Accounts
Martha S. Mavredes, CPA

www.apa.virginia.gov

(804) 225-3350



AUDIT SUMMARY

We have performed an audit of the Veterans Services Foundation (Foundation), which receives administrative and other services from the Department of Veterans Services (Veterans Services), for the fiscal year ended June 30, 2018. Our audit found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth's accounting and financial reporting system;
- one matter involving internal control and its operation necessary to bring to management's attention;
- no instances of noncompliance with applicable laws and regulations that are required to be reported; and
- adequate corrective action with respect to the prior audit finding included in the calendar year 2016 Foundation report.

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
AUDIT FINDING AND RECOMMENDATION	1
FOUNDATION HIGHLIGHTS	2
INDEPENDENT AUDITOR'S REPORT	3-4
FOUNDATION RESPONSE	5
FOUNDATION OFFICIALS	6

AUDIT FINDING AND RECOMMENDATION

Ensure Timely Deposit of Donations

Type: Internal Control

Repeat: No

Veterans Services does not consistently deposit donations received on behalf of the Foundation in a timely manner. Veterans Services deposited 27 of 35 (77%) donations reviewed between three and 26 business days after receipt.

The Commonwealth Accounting Policies and Procedures Manual Topic 20205 provides that the processing and deposit of State receipts will be completed on the day received or no later than the next banking day. Undeposited checks increase the risk of misappropriation, delays investment of state funds, and delays use in accordance with the donor's designation. Due to the nature of the donations received and delays in the receipt process, donations are not always deposited and recorded timely.

The Foundation and Veterans Services should work together to ensure the receipt process in place is efficient to ensure timely deposit of Foundation funds. Funds collected at other locations should be remitted to the central office promptly to allow for timely deposit. Employees should also be held accountable to perform their function in the receipt process timely.

FOUNDATION HIGHLIGHTS

The Veterans Services Foundation (Foundation) was established as a separate agency on July 1, 2017, within the Secretary of Veterans and Defense Affairs. Previously, the Foundation was managed as a separate fund within the Department of Veterans Services (Veterans Services). The Foundation collects and manages donations to support various Commonwealth administered programs for veterans. Veterans Services provides administrative support to the Foundation and donations for the Foundation are primarily received and deposited through the Veterans Services' finance department.

The following table summarizes financial activity for the Foundation for fiscal year 2018. The Foundation also receives General Fund appropriations of \$115,000, which are used to fund the director's salary, but this financial activity is not included below.

Veterans Services Foundation Financial Activity - Fiscal Year 2018

Beginning balance, July 1, 2017*	\$1,553,342
Revenues:	
Donations	525,350
Interest	<u>19,852</u>
Total revenues	545,202
Expenses and transfers:	
Payments on behalf of individuals	209,489
Transfers to Veterans Services	200,000
Other expenses	<u>83,742</u>
Total expenses and transfers	493,231
Ending balance, June 30, 2018	<u><u>\$1,605,313</u></u>

*The beginning balance is different from our prior report due to a change in audit period.

Source: Commonwealth's accounting and financial reporting system

During the year, Foundation management changed the approach for processing and recording expenses in the financial reporting system. Prior to February 2018, Veterans Services processed the expenses and recorded them under the Foundation. Starting in February, the Foundation began to periodically transfer funds to Veterans Services who then processed the expenses and recorded them under Veterans Services in the financial reporting system. The Foundation has established guidelines for allowable expenses which Veterans Services is required to follow. The Foundation Executive Director also performs a reasonableness review of the expenses to ensure they met the established guidelines as well as donor requirements, where applicable.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

September 15, 2018

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission

Board of Trustees
Veterans Services Foundation

We have audited the accounts of the **Veterans Services Foundation** (Foundation) for the fiscal year ended June 30, 2018. The Foundation receives administrative and other services from the Department of Veterans Services (Veterans Services). We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

The audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth's accounting and financial reporting system; review the adequacy of the Foundation's internal controls; test compliance with applicable laws, regulations, contracts, and donor wishes; and review correction action of the audit finding from the prior year report.

Audit Scope and Methodology

Management has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, contracts, and donor wishes. 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, regulations, and contracts, and donor wishes.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the Foundation's revenues and expenses.

We performed audit tests to determine whether controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and donor wishes as they pertain to our audit objectives. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and observation of the Foundation's operations. We performed analytical procedures, including trend analysis. We also tested details of transactions to achieve our objectives. Our audit of the Foundation did not include controls and fiscal operations of Veterans Services that did not support services provided to the Foundation.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and, when appropriate, we projected our results to the population.

Conclusions

We found that the Foundation properly stated, in all material respects, the amounts recorded and reported in the Commonwealth's accounting and financial reporting system. The financial information presented in this report came directly from the Commonwealth's accounting and financial reporting system.

We noted one matter involving internal control and its operation that we consider necessary to be reported to management. This matter is described in the section entitled "Audit Finding and Recommendation." The results of our tests of compliance with applicable laws, regulations, contracts, and donor wishes disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

The Foundation has taken adequate corrective action with respect to the audit finding that was reported in the prior year's audit report.

Exit Conference and Report Distribution

We discussed this report with management on October 9, 2018. Management's response to the finding identified in our audit is included in the section titled "Foundation Response." We did not audit management's response and, accordingly, we express no opinion on it.

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.

AUDITOR OF PUBLIC ACCOUNTS

LCW/vks



COMMONWEALTH of VIRGINIA
Veterans Services Foundation

October 17, 2018

Martha S. Mavredes, CPA
Auditor of Public Accounts
P. O. Box 1295
Richmond, Virginia 23218

Dear Ms. Mavredes:

We have reviewed your audit report for the Veterans Services Foundation for the fiscal year ended June 30, 2018. We appreciate the acknowledgment of proper recording and reporting of transactions, in all material respects, in the Commonwealth's accounting and financial reporting system.

We concur with your finding and recommendations with regard to the one matter involving internal control.

Corrective action has already been taken to prevent future occurrences of this audit finding. Ongoing internal audits will ensure our corrective action remains effective in eliminating future occurrences.

We will file the required corrective action plan with the State Comptroller within 30 days of receipt of our official APA audit report. We thank you and your staff for your review and the assistance you have provided us.

Sincerely,

A handwritten signature in blue ink, reading "T. Davidson".

Tammy L. Davidson
Treasurer/Fiscal Officer

VETERANS SERVICES FOUNDATION

As of June 30, 2018

BOARD OF TRUSTEES

Rich Schollmann
Chairman

Brad Antle	Marie Juliano
Jim Boyd	Jack Lanier
Nicole Carry	John Lesinski
Frank Driscoll	Thomas Mulrine
Frank Finelli	Al Pianalto
Paul Haughton	Meade Spotts
Carlos Hopkins	Walter Stosch
Jim Icenhour	Randy West
Matice Wright	

OFFICIALS

Karla Boughey
Executive Director

Tammy Davidson
Treasurer for the Veterans Services Foundation and
Director of Finance for the Department of Veterans Services