



VIRGINIA TOURISM AUTHORITY

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2016

Auditor of Public Accounts
Martha S. Mavredes, CPA

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AUDIT SUMMARY

Our audit of the Virginia Tourism Authority for the fiscal year ended June 30, 2016, found:

- proper recording and reporting of all transactions, in all material respects, in the Virginia Tourism Authority's financial system;
- no matters involving internal control and its operation necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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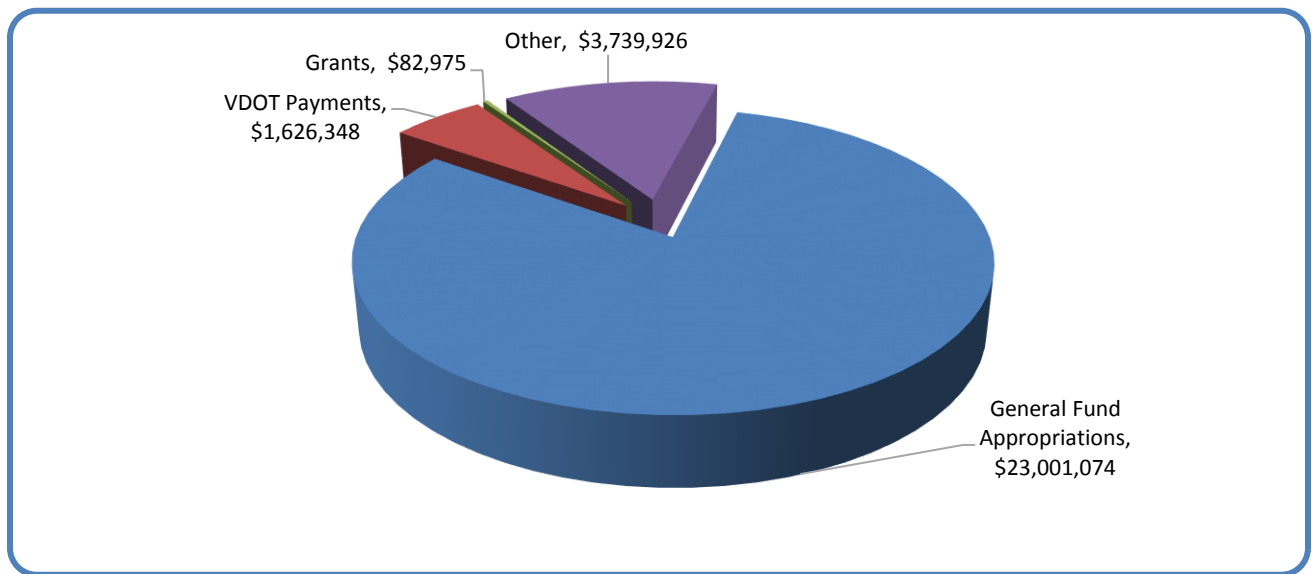
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AUTHORITY HIGHLIGHTS

The Virginia Tourism Authority (Authority) is a political subdivision of the Commonwealth of Virginia authorized to do business as the “Virginia Tourism Corporation.” The Authority was established on July 1, 1999, pursuant to Section 2.2-2315 of the Code of Virginia. The Authority’s mission focuses on enhancing Virginia’s economy by supporting, maintaining, and expanding the Commonwealth’s domestic and international travel market and motion picture production, thereby generating increased visitor spending, tax revenues, and employment. To achieve this objective, the Authority engages in numerous marketing programs, operates the Virginia Film Office, and provides visitor relations services with the operation of welcome centers throughout the Commonwealth.

General Fund appropriations are the primary funding source for operations of the Authority. The Authority can retain and carry forward its appropriations. The Authority also receives funds from the Department of Transportation and a contract with Highway Information Media to operate the Commonwealth’s welcome centers. The remaining funding sources include grants and participation fees from promotional activities. The chart below presents a breakdown of the Authority’s funding sources for the fiscal year ended June 30, 2016.

Funding by Source for the Fiscal Year Ended June 30, 2016



Source: Virginia Tourism Authority Accounting System

The Authority has five programmatic areas to manage its activities. These areas are 1) Operations and Finance, 2) Marketing, 3) Film, 4) Partnership Marketing, and 5) Executive and Board of Directors. The Virginia Economic Development Partnership provides certain administrative functions, including accounting and payroll services, to the Authority.

A breakdown of the Authority's expenses by type for the fiscal year ended June 30, 2016, is shown below. The majority of the Authority's expenses are for payroll, advertising and promotion, and consulting and various other services.

Analysis of Expenses by Type for Fiscal Year Ended June 30, 2016

Expense Type	2016	Percentage of Total Expenses
Advertising and Promotion	\$ 7,864,225	32%
Personnel: Salaried Employees	6,231,807	25%
Grant and Pass Through Payments	3,842,284	16%
Services	2,726,291	11%
Electronic Marketing	1,242,263	5%
Supplies and Materials	546,093	2%
Personnel: Wage Employees	509,459	2%
Travel	445,745	2%
Mission, Show, and Events	278,415	1%
Fixed Asset Payments	97,090	>1%
Other	714,097	3%
Total Expenses	\$24,497,769	100%

Source: Virginia Tourism Authority Accounting System



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

February 7, 2017

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Virginia Tourism Authority** for the year ended June 30, 2016. 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

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Authority's financial system, review the adequacy of the Authority's internal controls, and test compliance with applicable laws, regulations, contracts, and grant agreements.

Audit Scope and Methodology

The Authority's management has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, contracts and grant agreements. 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, contracts, and grant agreements.

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 following significant cycles, classes of transactions, and account balances.

Contractual services expenses
Payroll expenses
Small purchase charge card
Incentive payments
Appropriations
Capital assets

We performed audit tests to determine whether the Authority'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, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Authority's operations. We performed analytical procedures, including budgetary and trend analyses. We also tested details of transactions to achieve our objectives.

We used a nonstatistical sampling approach and designed our samples 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 Virginia Tourism Authority properly stated, in all material respects, the amounts recorded and reported in the Authority's financial system. The Virginia Tourism Authority 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 Authority's financial system.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Exit Conference and Report Distribution

We discussed this report with management on February 8, 2017.

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

MSM/clj

VIRGINIA TOURISM AUTHORITY

As of June 30, 2016

Board of Directors

Susan K. Payne, Chairwoman
Paul H. van Leeuwen, Vice Chairman

Richard D. Brown, Ex-Officio
Basil I. Gooden, Ex-Officio
Todd P. Haymore, Ex-Officio
Ralph S. Northam, Ex-Officio
Molly Ward, Ex-Officio

Trixie L. Averill
Jean Ann Bolling
Shelia C. Bradley
Catherine D. Brillhart
Mark B. Hubbard
Eric S. McKay
Terry L. Stroud
Phyllis A. Terrell

Officials

As of June 30, 2016

President and Chief Executive Officer

Rita D. McClenny

Vice President of Operations and Finance

Mitch Rosenfeld