



INNOVATION AND ENTREPRENEURSHIP INVESTMENT AUTHORITY AND CENTER FOR INNOVATIVE TECHNOLOGY

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2019

Auditor of Public Accounts
Martha S. Mavredes, CPA
www.apa.virginia.gov
(804) 225-3350



AUDIT SUMMARY

Our audit of the Innovation and Entrepreneurship Investment Authority, including its blended component unit, the Center for Innovative Technology, for the year ended June 30, 2019, found:

- the financial statements are presented fairly, in all material respects;
- one internal control finding requiring management's attention; however, we do not consider it to be a material weakness; and
- no instances of noncompliance or other matters required to be reported under Government Auditing Standards.

We have audited the basic financial statements of the Innovation and Entrepreneurship Investment Authority, including its blended component unit, the Center for Innovative Technology, as of and for the year ended June 30, 2019, and issued our report thereon, dated August 21, 2020. Our report is included in the Authority's Annual Report that it anticipates releasing by September 2020.

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INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Improve Written Policies and Procedures Related to Significant Fiscal Processes

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Management of the Center for Innovative Technology (CIT) does not have adequate written policies and procedures related to its fiscal processes. The general areas we identified during the audit that do not have written policies and procedures include processes for year-end calculations that support material financial statement amounts, as well as those that support the posting of routine journal entries throughout the year. For example, CIT's methodology for allocating indirect costs among program areas impacts multiple line items on the financial statements; however, CIT does not document this procedure to ensure staff consistently apply the allocation each year in compliance with applicable standards. Additional examples of fiscal processes that do not have written policies and procedures include:

- the calculation of due to/due from the Commonwealth of Virginia;
- accounting for the recordation and repayment of notes receivable;
- year-end identification and accrual of accounts payable;
- methodology to support certain accounting estimates (i.e. current portion of compensated absences); and
- monthly reconciliation of the general ledger.

Policies and procedures serve as a key internal control to ensure the efficiency and effectiveness of operations and support the consistent execution of fiscal processes by current and future employees. The Commonwealth's Accounting Policies and Procedures (CAPP) manual instructs agencies to develop policies and procedures for processes related to the recording of financial transactions, compliance with financial reporting requirements, laws and regulations, and stewardship over Commonwealth assets. While CIT does not follow the CAPP manual, it is a best practice to develop and follow detailed written policies and procedures as part of a system of internal control.

Management currently uses summarized narrative information developed during the audit process as written procedures for some of its fiscal processes. A lack of detailed, written policies and procedures increases the risk of inconsistent application of internal controls, which could impact the timeliness and reliability of financial information. Further, the lack of detailed policies and procedures increases the risk of CIT being able to ensure the continuity of operations if the authority experiences unforeseen turnover. Management does acknowledge the importance of internal controls, including written policies and procedures, but has to balance the time and effort needed to develop detailed

procedures to the resulting benefit, considering the size of the entity and straightforward nature of some of its processes.

CIT management should perform an assessment over its significant fiscal processes and the related controls and develop detailed written policies and procedures accordingly. CIT should annually review and update these policies as changes to fiscal processes occur.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

August 21, 2020

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

Board of Directors
Innovation and Entrepreneurship Investment Authority and
Center for Innovative Technology

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the **Innovation and Entrepreneurship Investment Authority**, including its blended component unit, the Center for Innovative Technology, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a deficiency in internal control over financial reporting entitled "Improve Written Policies and Procedures Related to Significant Fiscal Processes," which is described in the section titled "Internal Control Findings and Recommendations," that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Authority's Response to Findings

We discussed this report with management at an exit conference held on August 20, 2020. The Authority's response to the findings identified in our audit is described in the accompanying section titled "Authority Response." The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Status of Prior Findings

The Authority has taken adequate corrective action with respect to audit findings reported in the prior year.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

LJ/vks



August 6, 2020

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

Dear Ms. Mavredes:

We have reviewed the audit finding and recommendations resulting from the fiscal year 2019 audit by the Auditor of Public Accounts (APA). Below is management's response to the finding:

Improve Written Policies and Procedures Related to Significant Fiscal Processes

Management Response: We concur with the APA's finding.

Corrective action to be taken: CIT management will perform an assessment of its significant fiscal processes and related controls. Management will enhance existing written policies and procedures where needed, and develop detailed written policies and procedures, where none exist, accordingly.

Anticipated completion date: June 30, 2021

Sincerely,

A handwritten signature in blue ink, appearing to read "Susan Aitcheson".

Susan Aitcheson
Chief Financial Officer

**INNOVATION AND ENTREPRENEURSHIP INVESTMENT AUTHORITY
AND
CENTER FOR INNOVATIVE TECHNOLOGY**

As of June 30, 2019

Board of Directors

Michael Steed, Chairman
Bernard Mustafa, Vice Chairman

| | |
|------------------------|------------------|
| Emil Avram | Manish Malholtra |
| Brian Ball | Helmick Proctor |
| James Cheng | Atif Qarni |
| Richard Hall | Rob Quartel |
| Marty Kaszubowski | James Ryan |
| Angela Kellett Kristie | Timothy Sands |

Officers

Ed Albrigo, CIT President and Chief Executive Officer
Susan Aitcheson, CIT Chief Financial Officer