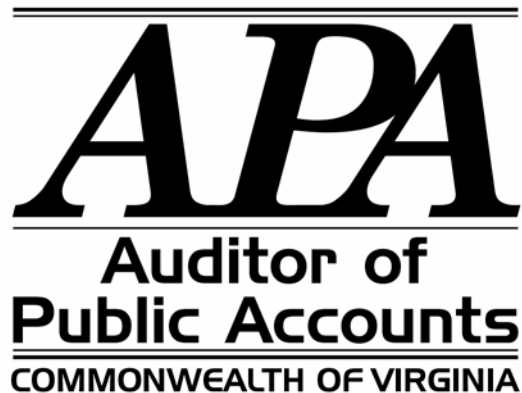


**VIRGINIA COMMISSION FOR THE ARTS**

**REPORT ON AUDIT**

**FOR THE PERIOD**

**JANUARY 1, 2004 THROUGH JUNE 30, 2005**



## **AUDIT SUMMARY**

Our audit of the Virginia Commission for the Arts for the period January 1, 2004 through June 30, 2005 found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations tested or other matters that are required to be reported.

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## AGENCY INFORMATION AND FINANCIAL HIGHLIGHTS

The Commission provides financial assistance for arts activities and advisory services to artists, arts organizations, and others interested in the arts. The Commission's funds come from the Virginia General Assembly and the National Endowment for the Arts, a federal agency. The following is a list of programs that the Commission awards grants through each year.

Arts Curriculum Development Grants	Local Government Challenge Grants
Artists in Education Residency Grants (PK-12)	Project Grants
Artist Fellowship	Teacher Incentive Grants
General Operating Support for Arts Organizations	Technical Assistance Grants
General Operating Support for Major Arts Institutions	Touring Assistance
	Writers in Virginia Program

Thirteen commissioners, each appointed to five-year terms by the Governor and confirmed by the General Assembly, direct the agency. The Commission has statewide representation by having at least one, but no more than two Commissioners appointed from each congressional district. The Commissioners meet quarterly to review and approve the activities of the Commission.

The Commission has seven regional and three statewide advisory panels to make recommendations on grant applications. The panelists also evaluate activities funded by the Commission and make recommendations regarding the Commission's policies and procedures. Each panel consists of seven to nine members appointed by the Commission. The panelists represent a variety of arts disciplines and cultural perspectives. Panel appointments are one-year terms with a maximum of three years.

The Commission's general fund appropriations increased eight percent between fiscal 2004 and 2005. This increase offsets some of the 43 percent in cuts the Commission experienced between fiscal years 2002 and 2004. Additional increases in special revenue are from sales of the "Virginians for the Arts" specialty license plate at the Department of Motor Vehicles and from the Department of Taxation for income tax refund amounts designated by taxpayers to support arts in Virginia.

	<u>Revenue by Source</u>			
	<u>FY 2005</u>		<u>FY 2004</u>	
	<u>Final Budget</u>	<u>Actual Funding</u>	<u>Final Budget</u>	<u>Actual Funding</u>
General fund	\$3,007,476	\$3,007,476	\$2,782,301	\$2,782,301
Special revenue fund	39,183	94,686	30,000	83,058
Federal	<u>651,261</u>	<u>615,900</u>	<u>591,800</u>	<u>593,600</u>
Total	<u>\$3,697,920</u>	<u>\$3,718,062</u>	<u>\$3,404,101</u>	<u>\$3,458,959</u>

As a result of increasing general fund appropriations, the Commission's expenses increased proportionally by eight percent. The Commission's grant awards comprise 88 percent of their total expenses while administration is 12 percent for both fiscal years 2004 and 2005 as shown in the following chart.

Expenses by Type

	<u>FY 2005</u>		<u>FY 2004</u>	
Grant awards	\$3,132,259	88%	\$2,904,394	88%
Administration	<u>442,138</u>	<u>12%</u>	<u>400,010</u>	<u>12%</u>
Total	<u>\$3,574,397</u>	<u>100%</u>	<u>\$3,304,404</u>	<u>100%</u>

Grant awards for the General Operating Support Grant program represents 63 percent of the \$3,132,259 the Commission awarded in fiscal 2005. The grant assists organizations financially to continue, strengthen, and expand their artistic programs. The Commission increased the maximum award for this grant to \$52,500 and \$55,500 in fiscal years 2004 and 2005, respectively.

	<u>FY 2005</u>	<u>FY 2004</u>
Applications received	184	188
Applicants awarded funding	176	181
Amount requested	\$5,947,100	\$5,483,400
Amount awarded	\$1,980,200	\$1,791,600

The Commission's most competitive grant is the Project Grant program, which increases access to high quality arts for all Virginians, increases opportunities for artists to create and present their work, and expands arts education opportunities for young people. The Commission's maximum award amount for eligible applicants during fiscal years 2004 and 2005 was \$10,000.

	<u>FY 2005</u>	<u>FY 2004</u>
Applications received	86	66
Applicants awarded funding	56	40
Amount requested	\$ 535,404	\$ 334,718
Amount awarded	\$ 161,300	\$ 157,369



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

May 24, 2006

The Honorable Timothy M. Kaine  
Governor of Virginia  
State Capital  
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

We have audited selected financial records and operations of the **Virginia Commission for the Arts** for the period January 1, 2004 through June 30, 2005. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

## Audit Objectives

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

## Audit Scope and Methodology

The Commission'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.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control 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:

Revenue  
Expenditures  
Payroll

We performed audit tests to determine whether the Commission'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. Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Commission's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

## Conclusions

We found that the Commission properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Commission 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 necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## EXIT CONFERENCE

We discussed this report with management on June 8, 2006. 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

SW/kva

VIRGINIA COMMISSION FOR THE ARTS

Peggy J. Baggett  
Executive Director

Foster J. Billingsley  
Deputy Director

COMMISSIONERS

Lucius F. Ellsworth  
Commission Chair

David W. Briggs  
Gary R. Grant  
Susan B. Hirschbiel  
Bonita Lestina  
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Beth A. Temple  
William F. Trinkle  
Deborah H. Valentine

Eve Wilson