

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

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2004**



AUDIT SUMMARY

Our audit of the Division of Selected Agency Support Services for the year ended June 30, 2004, 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
Department of Charitable Gaming
Virginia-Israel Advisory Board

Interstate Organization Contributions
Office for Substance Abuse Prevention
Virginia Liaison Office

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:

- serves as custodian of the Governor's official records;
- handles services of process on some defendants in civil actions, processes extraditions, and restores civil rights;
- registers and regulates lobbyists;
- appoints and regulates notaries public;
- researches and coordinates recommendations for gubernatorial appointments to boards and commissions;
- compiles and publishes the Report of the Secretary of the Commonwealth;
- maintains conflict of interest statements filed by state officials; and
- maintains the Governor's Executive Journal and papers.

The Secretary's Office receives General Fund appropriations. The Secretary collects notary fees, trademark fees, and various other fees and deposits them directly into the General Fund of the Commonwealth. These collections totaled \$3,003,221 in 2004. The table below does not include them, since they are not available to the Secretary to fund operations. The following tables summarize budget and expenses for the Secretary's Office in fiscal year 2004. The Secretary received some supplemental budget increases during the year for unbudgeted routine expense increases, such as health insurance, over the original budget.

Budget Analysis for Fiscal Year 2004

<u>Funding Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>
General Fund appropriations	<u>\$1,251,368</u>	<u>\$1,656,466</u>	<u>\$1,656,329</u>

Expenditures for Fiscal Year 2004

		<u>Percentage</u>
Continuous charges	\$ 99,918	6.0%
Contractual services	463,515	28.0%
Equipment	7,819	0.5%
Personal services	1,063,957	64.2%
Supplies and materials	21,067	1.3%
Transfer payments	<u>53</u>	<u>-</u>
Total expenditures	<u>\$1,656,329</u>	<u>100.0%</u>

Department of Charitable Gaming

The Department oversees all charitable gaming in the Commonwealth. The Department establishes and enforces regulations over charitable gaming to ensure gaming integrity and the proper use of game revenues. The Department receives permit application and audit fees from qualified organizations to fund its operations. The following is the Department's financial activity for fiscal year 2004.

The following tables summarize budget and expenses for the Department in fiscal year 2004. Formerly funded by Special Fund sources, the Department now receives all of its funding from the General Fund. The Department also collects fees charged to charitable gaming organizations for audits and other items, which are not in the tables below, since the money is not available for the operation of the Department. Collections totaled \$954,328 in 2004, and go directly into the General Fund of the Commonwealth.

Budget Analysis for Fiscal Year 2004

<u>Funding Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>
General Fund appropriations	<u>\$2,122,866</u>	<u>\$2,151,870</u>	<u>\$1,866,323</u>

Expenditures for Fiscal Year 2004

		<u>Percentage</u>
Continuous charges	\$ 83,918	4.5%
Contractual services	158,567	8.5%
Equipment	143,472	7.7%
Personal services	1,407,689	75.4%
Supplies and materials	41,517	2.2%
Transfer payments	<u>31,160</u>	<u>1.7%</u>
Total expenditures	<u>\$1,866,323</u>	<u>100.0%</u>

Virginia-Israel Advisory Board

The Virginia-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. No members of the Board receive compensation for their services. In fiscal year 2004, the Board received General Fund appropriations transferred from the Department of Business Assistance. The following tables summarize budget and expenses for the Board in fiscal year 2004.

Budget Analysis for Fiscal Year 2004

<u>Funding Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>
General Fund appropriations	<u>\$ -</u>	<u>\$148,700</u>	<u>\$148,700</u>

Expenditures for Fiscal Year 2004

		<u>Percentage</u>
Continuous charges	\$ 1,980	1.3%
Contractual services	51,464	34.6%
Equipment	1,507	1.0%
Personal services	92,773	62.4%
Supplies and materials	976	0.7%
Total expenditures	<u>\$148,700</u>	<u>100.0%</u>

Interstate Organization Contributions

Interstate Organization Contributions are memberships to the National Governors Association and other national organizations whose funding comes from the General Fund. The only expenses are membership dues. The following table summarizes budget and expenses in fiscal year 2004.

Budget Analysis for Fiscal Year 2004

<u>Funding Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>
General Fund appropriations	<u>\$219,762</u>	<u>\$219,762</u>	<u>\$219,757</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. The following tables summarize budget and expenses for the Office in fiscal year 2004.

Funding for Fiscal Year 2004

<u>Funding Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Funding</u>
Special Fund	\$ -	\$ 35,000	\$ 35,000
Federal Trust	<u>600,000</u>	<u>600,000</u>	<u>569,387</u>
Total	<u>\$600,000</u>	<u>\$635,000</u>	<u>\$604,387</u>

In fiscal year 2004, the Office received federal grant funds transferred from the Department of Mental Health, Mental Retardation, and Substance Abuse Services; the Department of Education; and the Department of Alcoholic Beverage Control.

Expenditures for Fiscal Year 2004

		<u>Percentage</u>
Continuous charges	\$ 6,151	1.3%
Contractual services	234,251	49.8%
Equipment	125	0.0%
Personal services	227,217	48.2%
Supplies and materials	2,382	0.5%
Transfer payments	<u>1,000</u>	<u>0.2%</u>
Total expenditures	<u>\$471,126</u>	<u>100.0%</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. The following tables summarize budget and expenses for the Office in fiscal year 2004

Revenue for Fiscal Year 2004

<u>Funding Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Revenue</u>
General Fund appropriations	\$233,698	\$246,114	\$246,114
Special Fund	<u>117,083</u>	<u>117,083</u>	<u>118,259</u>
Total	<u>\$350,781</u>	<u>\$363,197</u>	<u>\$364,373</u>

Expenditures for Fiscal Year 2004

		<u>Percentage</u>
Continuous charges	\$ 59,653	16.4%
Contractual services	23,546	6.5%
Equipment	773	0.2%
Personal services	274,374	75.6%
Supplies and materials	3,654	1.0%
Transfer payments	<u>1,073</u>	<u>0.3%</u>
Total expenditures	<u>\$363,073</u>	<u>100.0%</u>



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

October 4, 2004

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

The Honorable Lacey E. Putney
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, 2004. 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.

Appropriations
Expenditures
Revenues

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 10, 2004.

AUDITOR OF PUBLIC ACCOUNTS

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kva:

DIVISION OF SELECTED AGENCY SUPPORT SERVICES
Richmond, Virginia

As of June 30, 2004

Anita A. Rimler
Secretary of the Commonwealth

Dennis Johnson
Director, Division of Selected Agency Support Services

Clyde E. Cristman
Director, Department of Charitable Gaming

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