

**VIRGINIA COMMISSION FOR THE ARTS  
RICHMOND, VIRGINIA**

**REPORT ON AUDIT  
FOR THE PERIOD  
JULY 1, 2002 THROUGH DECEMBER 31, 2003**



## **AUDIT SUMMARY**

Our audit of the Virginia Commission for the Arts for the period July 1, 2002 through December 31, 2003, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no internal control matters that we consider material weaknesses; and
- no issues of noncompliance that are required to be reported under Government Auditing Standards.

- TABLE OF CONTENTS -

AUDIT SUMMARY

AGENCY INFORMATION AND FINANCIAL HIGHLIGHTS

INDEPENDENT AUDITOR'S REPORT

## AGENCY INFORMATION AND FINANCIAL HIGHLIGHTS

The Virginia Commission for the Arts provides direct financial support for art activities and services to artists, arts organizations, and others interested in the arts in Virginia. The Commission expends over 90 percent of its funds in this effort. The Commission's 13 members meet quarterly to review and approve these activities. The Commission awards grants in the following categories:

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

The Commission funds its grants from General Fund appropriations and a grant from the National Endowment for the Arts. The Commission's budget began experiencing reductions in its General Fund appropriation in fiscal 2003. Between fiscal years 2002 and 2004, the Commission's budget has been reduced 43 percent. The following tables detail the cuts in each fiscal year.

Fiscal Year 2003 Appropriation	Fiscal Year 2002 Appropriation	General Fund Budget Reduction	Percentage of Total Budget
\$4,765,728	\$5,448,737	\$683,009	13%

Fiscal Year 2004 Appropriation	Fiscal Year 2003 Appropriation	General Fund Budget Reduction	Percentage of Total Budget
\$3,321,642	\$4,765,728	\$1,444,086	30%

As a result of the decrease in funding, the Commission began reassessing the number and dollar amount of each type of grant they award. The largest grant program the Commission administers is the General Operating Support for Arts Organizations Grant. This program assists organizations financially to continue, strengthen, and expand their artistic programs. This grant is not only the largest dollar value awarded per grantee, it also has the largest number of grantees. As a result of the large number of grantees that depend on this funding annually, the Commission decreased the amount of each award while maintaining the average number of awards. Between fiscal years 2002 and 2004, the maximum award amounts of this grant decreased \$58,000 from \$108,000 to \$50,000 per applicant.

Fiscal Year	Applications Received	Applicants Awarded Funding	Amount Awarded	Percentage of Total Budget
2003	192	187	\$3,224,100	68%
2004	188	182	\$1,799,400	54%

The following table compares the Commissions' financial results for fiscal years 2002 and 2003.

	<u>FY 2003</u>	<u>FY 2002</u>
Revenues:		
General Fund appropriations	\$3,870,245	\$4,854,423
Federal grants *	843,470	541,700
Other income	<u>-</u>	<u>20,000</u>
 Total revenues	 <u>\$4,713,715</u>	 <u>\$5,416,123</u>
Expenses:		
Grant awards	\$4,275,378	\$4,709,218
Administration	<u>418,087</u>	<u>448,040</u>
 Total expenses	 <u>\$4,693,465</u>	 <u>\$5,157,258</u>

\* Fiscal year 2003 includes \$252,500 in carryover funds from fiscal year 2002.

As of December 31, 2003, the Commission has \$3,324,009 in revenue and \$2,433,642 in expenses.



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

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

April 7, 2004

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

The Honorable Lacey E. Putney  
Vice Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

## INDEPENDENT AUDITORS REPORT

We have audited the financial records and operations of the **Virginia Commission for the Arts** for the period July 1, 2002 through December 31, 2003. 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 Commission's internal control, 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 Commission'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 revenues and cash receipts and expenses. We considered these to be the Commission's significant cycles, classes of transactions, and accounting balances.

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 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.

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.

Our audit was more limited than would be necessary to provide assurance on the 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 Commission properly stated, in all material respects, the amounts recorded 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 generally accepted accounting principles. 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 considered 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 found no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

#### EXIT CONFERENCE

We discussed this report with management at an exit conference on May 3, 2004.

AUDITOR OF PUBLIC ACCOUNTS

SHW/kva  
kva: