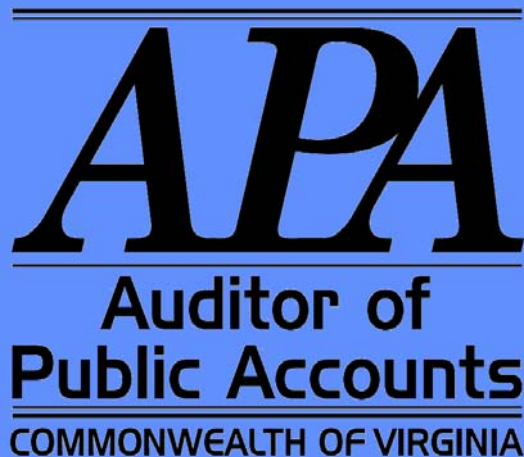


DEPARTMENT OF MINORITY BUSINESS ENTERPRISE

REPORT ON AUDIT

FOR THE PERIOD

JANUARY 1, 2009 THROUGH JUNE 30, 2011



AUDIT SUMMARY

Our audit of the Department of Minority Business Enterprise for the period January 1, 2009 through June 30, 2011, 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 or other matters that are required to be reported.

–TABLE OF CONTENTS–

	<u>Pages</u>
AUDIT SUMMARY	
AGENCY HIGHLIGHTS	1-2
INDEPENDENT AUDITOR’S REPORT	3-4
AGENCY OFFICIALS	5

AGENCY HIGHLIGHTS

The Department of Minority Business Enterprise (Minority Business) assists in the establishment and promotion of small, women, and minority-owned (SWAM) businesses throughout the Commonwealth. A SWAM business is an enterprise that has one or more socially and economically disadvantaged persons as either the owner or individuals with controlling interest. Minority Business offers several areas of support, including management and technical assistance, as well as educational, training, marketing, and outreach programs.

Minority Business' sources of funding are General Fund and Highway Maintenance and Operating Fund appropriations. The funds provided by the Highway Maintenance and Operating Fund appropriation supports efforts to increase the participation of disadvantaged owned business enterprises in Virginia's federal transportation and construction projects.

The following tables show Minority Business' original budget, final budget, and actual expenses for fiscal years 2009 through 2011. Minority Business received total resources of approximately \$2.20 million in fiscal year 2009, \$2.75 million in fiscal year 2010 and \$2.46 million in fiscal year 2011.

Analysis of Budget and Actual Funding by Funding Source

Fiscal Year Ended June 30, 2009

<u>Funding Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
General Fund	\$ 753,413	\$ 690,635	\$ 390,252
Highway Maintenance and Operating Fund	<u>1,506,868</u>	<u>1,506,868</u>	<u>1,506,868</u>
Total Resources	<u>\$2,260,281</u>	<u>\$2,197,503</u>	<u>\$1,897,120</u>

Source: Commonwealth Accounting and Reporting System and Chapter 879 of the Appropriations Act

The General Fund decrease from the original to final budget was primarily due to the reduction of a position and the delay in hiring the Director. Actual expenses are lower because the agency cut costs in response to the Governor's 2008 budget reduction plan.

Analysis of Budget and Actual Funding by Funding Source

Fiscal Year Ended June 30, 2010

<u>Funding Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
General Fund	\$ 660,088	\$ 973,445	\$ 745,538
Special Revenue	-	270,000	270,000
Highway Maintenance and Operating Fund	<u>1,506,868</u>	<u>1,506,868</u>	<u>1,465,115</u>
Total Resources	<u>\$2,166,956</u>	<u>\$2,750,313</u>	<u>\$2,480,654</u>

Source: Commonwealth Accounting and Reporting System and Chapter 781 of the Appropriations Act

In 2009, Minority Business contracted for a two-phase comprehensive update to the 2004 Procurement Disparity Study. Phase I analyzed the use of minority and nonminority women-owned business enterprises (M/WBEs) and nonminority male-owned business enterprises by agencies and institutions of the Commonwealth. Phase II was done to determine whether underutilization of M/WBEs results from objective, nonbiased bidding and purchasing procedures or from discriminatory practices. Minority Business received the final report in July 2011.

The General Fund increase from the original to final budget is funding for both Phase I and Phase II of the Disparity Study and a new dashboard. However, Minority Business will not complete Phase II of the Study and the dashboard until fiscal year 2011. The Special Revenue Fund of \$270,000 represents a roll forward of unspent funding from fiscal year 2008 approved by the Governor to assist in covering costs for the Disparity Study. The increase in the budget also assisted in the prepayment of Virginia Information Technologies Agency (VITA) charges and rent totaling \$215,000.

Analysis of Budget and Actual Funding by Funding Source

Fiscal Year Ended June 30, 2011

<u>Funding Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
General Fund	\$ 609,553	\$ 955,044	\$ 786,260
Highway Maintenance and Operating Fund	<u>1,506,868</u>	<u>1,506,868</u>	<u>1,506,868</u>
Total Resources	<u>\$2,116,421</u>	<u>\$2,461,912</u>	<u>\$2,293,128</u>

Source: Commonwealth Accounting and Reporting System and Chapter 890 of the Appropriations Act

The General Fund increase from the original to final budget is the funding for Phase II of the Disparity study (\$185,000) and increases in VITA costs (\$159,000). The primary decrease from the final budget to actual expenses is due to net salaried personnel changes during this fiscal year.

The table below summarizes Minority Business' expenses by major object for fiscal years 2009 through 2011. Payroll expenses of about \$1.5 million account for over 60 percent of fiscal year expenses. As of June 30, 2011, Minority Business employed 17 full-time employees. The majority of the remaining expenses are for contractual services. Collectively for fiscal years 2009 through 2011, over 75 percent of the contractual services represent payments for the Disparity Study, VITA charges, and EDP software maintenance.

Analysis of Actual Expenses by Type

Fiscal Years Ended June 30, 2009 through 2011

<u>Expense Type:</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Personal Services	\$1,504,400	\$1,505,791	\$1,450,492
Contractual Services	256,163	722,972	661,416
Continuous Charges	81,233	183,187	130,117
Other	<u>55,324</u>	<u>68,704</u>	<u>51,103</u>
Total Expenses	<u>\$1,897,120</u>	<u>\$2,480,654</u>	<u>\$2,293,128</u>

Source: Commonwealth Accounting and Reporting System



Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

February 17, 2012

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Department of Minority Business Enterprise** for the period January 1, 2009 through June 30, 2011. 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 Commonwealth Accounting and Reporting System, review the adequacy of Minority Business' internal controls, test compliance with applicable laws and regulations, and review corrective actions of audit findings from prior year reports.

Audit Scope and Methodology

Minority Business' 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 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.

- Expenses, including Small Purchase Charge Card
- Payroll expenses
- Appropriations
- Information Systems Security

We performed audit tests to determine whether Minority Business' 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, records, and contracts, and observation of Minority Business' operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that Minority Business properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. Minority Business 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.

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

Exit Conference and Report Distribution

We discussed this report with management on February 29, 2012.

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/alh

DEPARTMENT OF MINORITY BUSINESS ENTERPRISE
As of June 30, 2011

Ida Outlaw McPherson
Director