

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

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2000**

***AUDITOR OF
PUBLIC
ACCOUNTS***



COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Division of Selected Agency Support Services for the year ended June 30, 2000, found:

- proper recording and reporting of transactions, in all material aspects, in the Commonwealth Accounting and Reporting System, except for the transfers which understated the expense category, "Contractual Services," for the Secretary of the Commonwealth;
- 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 following agencies. The Division of Selected Agency Support Services of the Secretary of Administration keeps the records for these agencies.

Secretary of the Commonwealth
Virginia Veterans' Care Center Board of Trustees
Interstate Organization Contributions
Virginia Liaison Office
Charitable Gaming Commission
Commission on Virginia/Israel Advisory Board

The Division also keeps records for the Offices of the Governor, 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 (the Secretary) has the following duties:

1. Serving as custodian of the Governor's official records;
2. Handling services of process on some defendants in civil actions, processing extraditions, and restorations of civil rights;
3. Registering and regulating lobbyists, appointing and regulating notaries public;
4. Researching and coordinating recommendations for Gubernatorial appointments to boards and commissions;
5. Compiling and publishing the Report of the Secretary of the Commonwealth;
6. Maintaining conflict of interest statements filed by state officials; and
7. Maintaining the Governor's Executive Journal and papers.

The Secretary receives its funding through General Fund appropriations. The following reflects the financial activity of the Secretary for fiscal year 2000.

Original appropriations	\$1,090,908	
Adjustments:		
Additional revenue supplement	380,570	
Regrade supplement	53,341	
Reappropriation of unexpended funds from prior year	2,814	
Other	<u>(5,364)</u>	
Adjusted appropriations		\$ 1,522,269
Expenses:		
Salaries and fringe benefits	1,035,466	
Contractual services	318,177	
Equipment	84,649	
Continuous charges	80,539	
Other	<u>18,973</u>	
Total expenses		1,537,804
Transfers:		
From the Secretary of Administration	700	
From the Secretary of Education	<u>16,000</u>	
Total transfers		<u>16,700</u>
Unexpended balance		<u><u>\$ 1,165</u></u>

During the fiscal year the Secretary received transfers from the Secretary of Administration and the Secretary of Education. The documents supporting the transfer showed the reason for the transfer as “to fund administration’s initiatives within the Secretariat.”

The accounting records showed the transfers as decreases in the expense category “Contractual Services” rather than transfers. By recording the transfers in this manner, the Commonwealth Accounting and Reporting System showed an understatement of expenses for the Secretary. For this report we have show the transfers as “Transfers.” In the future, staff should show transfers of this nature as transfers or obtain from the Department of Planning and Budget supplemental appropriations.

The Secretary also collects revenues on behalf of the General Fund of the Commonwealth and deposits these funds directly with the Treasurer of Virginia. The Secretary cannot use these collections to meet current operating needs.

Collections:

Fees for recording, copying, and certifying public records	\$ 1,234,881
Notary commission fees	685,031
Lobbyist fees	96,450
Certificates of authentication	176,735
State publications sales	7,633
Other	<u>5,623</u>

Total collections	<u><u>\$ 2,206,353</u></u>
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Virginia Veterans’ Care Center Board of Trustees

The Virginia Veterans’ Care Center Board of Trustees administers an adult care and nursing home facility for Virginia’s veterans. The Virginia Veterans’ Care Center Board operates using a Special Revenue Fund, which reflects revenues and expenses for administering the veterans’ adult care and nursing home.

Beginning balance	\$ 1,104,366
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Revenue:

Health support fees	\$ 287,881
Interest	<u>60,542</u>

Total revenues	348,423
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Expenses:

Salaries and fringe benefits	93,715
Contractual services	66,984
Equipment	14,673
Other	<u>14,959</u>

Total expenses	190,331
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Transfers to the General Fund of the Commonwealth	<u>3,219</u>
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Ending balance	<u><u>\$ 1,259,239</u></u>
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Interstate Organization Contributions

Interstate Organization Contributions are memberships to the National Governors Association and other national organizations. Interstate Organization Contributions receives only General Fund appropriations.

Original appropriations	\$ 219,401	
Adjustments:		
Increase in dues	965	
Reappropriation of unexpended funds from prior year and other	<u>1,840</u>	
Adjusted appropriations		\$ 222,206
Expenses:		
Contractual services		<u>217,914</u>
Unexpended balance		<u><u>\$ 4,292</u></u>

Virginia Liaison Office

The Virginia Liaison Office (the Office) promotes Virginia's interests with the federal government. The Office receives its funding through General and Special Revenue fund appropriations. The Office receives its Special Revenue funding in the form of transfers from the Transportation Trust Fund. Net financial activity for the Office during fiscal year 2000 is as follows:

Original appropriation	\$ 214,548	
Adjustments:		
Additional appropriation for salary regrade	9,279	
Reappropriation of unexpended funds from prior year	7,517	
Other	<u>(1,084)</u>	
Adjusted appropriations		\$ 230,260
Expenses:		
Salaries and fringe benefits	234,189	
Continuous charges	69,320	
Contractual services	15,246	
Other	<u>3,422</u>	
Total expenses		322,177
Transfers from Transportation Trust Fund		<u>92,062</u>
Unexpended balance		<u><u>\$ 145</u></u>

Charitable Gaming Commission

The Charitable Gaming Commission controls all charitable gaming in the Commonwealth and seeks to ensure the money goes to the appropriate purposes, to maintain gaming integrity, and to provide uniform regulation. The Commission receives permit application and audit fees from qualified organizations to fund its operations.

Beginning balance		\$2,122,098
Revenues:		
Application permit fees		2,405,345
Expenses:		
Salaries and fringe benefits	\$1,436,179	
Contractual services	485,587	
Continuous charges	69,547	
Equipment	59,757	
Other	<u>34,301</u>	
Total expenses		2,085,371
Transfers to the General Fund of the Commonwealth		<u>7,586</u>
Ending balance		<u><u>\$2,434,486</u></u>

Commission on Virginia-Israel Advisory Board

The 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. The Board consists of 29 members appointed by the General Assembly and Governor. No members of the Board receive compensation for their services. The Board only receives General Fund appropriations to support its activities.

Original appropriations	\$ 150,000	
Adjustments:		
Reappropriation of unexpended funds from prior year and other	<u>53,854</u>	
Adjusted appropriations		\$ 203,854
Expenses:		
Salaries and fringe benefits	83,303	
Contractual services	108,358	
Other	<u>7,062</u>	
Total expenses		<u>198,723</u>
Unexpended balance		<u><u>\$ 5,131</u></u>

August 30, 2000

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent J. Callahan, Jr.
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 Select Agency Support Services** for the year ended June 30, 2000. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, 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 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 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

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.

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 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 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 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 held on August 30, 2000.

AUDITOR OF PUBLIC ACCOUNTS

DIVISION OF SELECTED AGENCY SUPPORT SERVICES
Richmond, Virginia

Anne P. Petera
Secretary of the Commonwealth

Paul M. Steube
Chairman, Board of Trustees, Virginia Veterans' Care Center

M. Boyd Marcus, Jr.
Chief of Staff, Citizens Advisory Committee and Interstate Organization Contributions

Michael T. McSherry
Director, Virginia Liaison Office

Stanley J. Lapekas
Acting Director, Charitable Gaming Commission

Robert Schechter
Virginia/Israel Advisory Board

Dennis Johnson
Director of Finance, Division of Selected Agency Support Services

