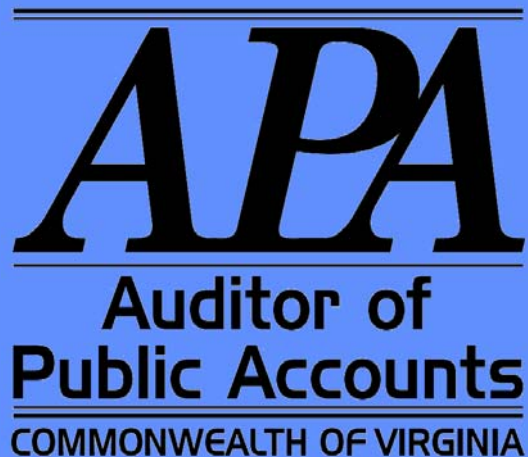


**VIRGINIA BIOTECHNOLOGY
RESEARCH PARTNERSHIP AUTHORITY**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2011**



AUDIT SUMMARY

Our audit of the Virginia Biotechnology Research Partnership Authority (Authority) for the year ended June 30, 2011, found:

- the financial statements are presented fairly, in all material respects;
- a certain matter involving internal control requiring management's attention; however, we do not consider it to be a significant deficiency or material weakness; and
- no instances of noncompliance or other matters required to be reported under Government Auditing Standards.

We have audited the basic financial statements of the Authority as of and for the year ended June 30, 2011, and issued our report thereon, dated December 6, 2011. Our report, included in the Authority's 2011 Annual Report, is anticipated to be issued on or around December 17, 2011, and will be available at the Auditor of Public Accounts website at www.apa.virginia.gov and at the Authority's website at <http://vabiotech.com/>.

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Matter for Management's Consideration

Improve Internal Controls Over Rent Revenue Process

We found the following clerical errors in billings to non-Virginia Commonwealth University (VCU) tenants:

- Rental invoices did not agree to the client's lease.
- Prepaid rents classified as rent revenue.
- Parking revenue classified as rent revenue.
- No control process to ensure the timely deposit of rent revenue.

In addition to the Master Lease with VCU, Virginia Biotechnology Research Partnership Authority (Authority) staff have a number of verbal arrangements with VCU concerning the amount of rent paid for occupied and unoccupied space in the Authority's buildings. Authority staff maintains a spreadsheet to track verbally agreed upon square footage and rental rates and uses this data to bill VCU. Authority staff are not properly updating the spread sheet and the spread sheet data does not support amounts billed for unoccupied space. In addition, the Authority invoiced September 2010 rent over four months late.

The Authority should make sure that it has formal lease arrangements with all of its tenants. For those tenants requiring changes to a lease, the Authority should require written documentation of these changes and ensure that it maintains the support for these rental invoice changes. Considering the small staff size of the Authority, staff should commit to documenting the rental process from lease signing to billing and collections. In additional, management should make sure that it has established the proper internal controls to classify revenue and make timely deposits. All appropriate staff should receive training on these processes.



Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 6, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

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

Board Members
Virginia Biotechnology Research Partnership Authority Board
Virginia Biotechnology Research Park Corporation Board

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited the basic financial statements of the **Virginia Biotechnology Research Partnership Authority** as of and for the year ended June 30, 2011, and have issued our report thereon dated December 6, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Virginia Biotechnology Research Partnership Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a matter for Management's consideration entitled "Improve Internal Controls Over Rent Revenue Process", which is described in the section titled "Matter for Management's Consideration".

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Authority's response to the matter identified in our audit is included in the section titled "Agency Response." We did not audit the Authority's response and, accordingly, we express no opinion on it.

Status of Prior Findings

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

Report Distribution and Exit Conference

The "Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters" is intended solely for the information and use of the Governor and General Assembly of Virginia, the Authority's Board and management, and is not intended to be and should not be used by anyone, other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

We discussed this report with management at an exit conference held on December 6, 2011.

AUDITOR OF PUBLIC ACCOUNTS

AVG/clj

December 7, 2011

Mr. Walter Kucharski
The Auditor of Public Accounts
PO Box 1295
Richmond, Virginia 23218

Re: Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Dear Mr. Kucharski

During the normal course of the Auditor of Public Accounts Audit of the financial statements of the Virginia Biotechnology Research Partnership Authority for fiscal year ending June 30, 2011, a certain matter for Management's consideration involving Internal Controls over the Rent Revenue process was noted. The consideration is described as follows:

Improve Internal Controls Over Rent Revenue Process

BioTech should make sure that it has formal lease arrangements with all of its tenants. For those tenants requiring changes to a lease, BioTech should require written documentation of these changes and ensure that it maintains the support for these rental invoice changes. Considering the small staff size of BioTech, staff should commit to documenting the rental process from lease signing to billing and collections. In addition, management should make sure that it has established the proper internal controls to classify revenue and make timely deposits. All appropriate staff should receive training on these processes.

Authority Response:

Management has discussed the above considerations and agrees to update its current Accounting Policy and Procedures to further expand and better document its entire Rent Revenue process to include documentation of leases, changes to leases, billing and collection. Management will also further define its current process to better track and increase documentation to support that deposits are made timely. Implementation and training is expected to be completed within 90 days.

Sincerely,



Robert T. Skunda
Executive Director

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Benjamin J. Lambert III, Vice Chair

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