

VIRGINIA TOURISM AUTHORITY

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2012**



AUDIT SUMMARY

Our audit of the Virginia Tourism Authority for the year ended June 30, 2012, found:

- proper recording and reporting of all transactions, in all material respects, in the Authority's financial reporting system;
- no matters involving internal control and its operation 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.

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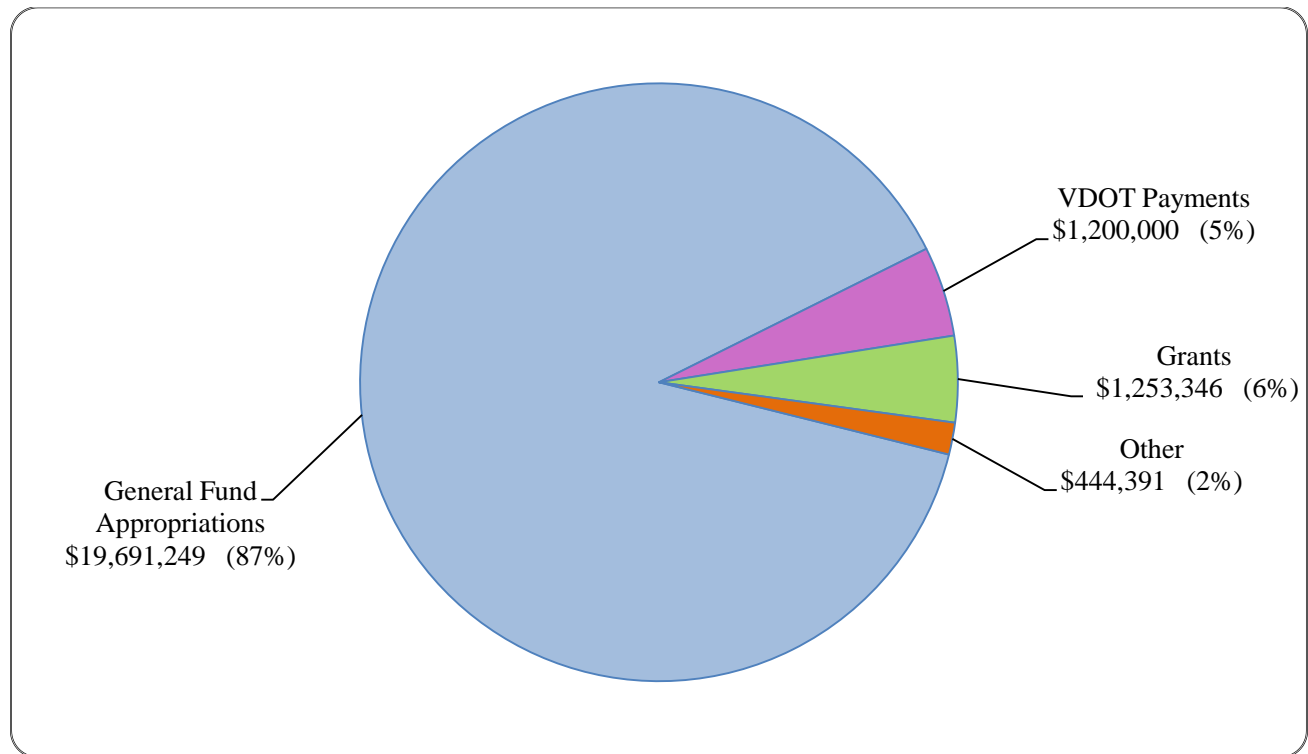
AGENCY HIGHLIGHTS

The Virginia Tourism Authority (Authority) is a political subdivision of the Commonwealth of Virginia authorized to do business as the “Virginia Tourism Corporation.” The Authority was established on July 1, 1999, pursuant to Section 2.2-2315 of the Code of Virginia. The Authority’s mission focuses on enhancing Virginia’s economy by supporting, maintaining, and expanding the Commonwealth’s domestic and international travel market and motion picture production, thereby generating increased visitor expenses, tax revenues, and employment. To achieve this objective, the Authority engages in marketing programs such as the “LOVE Campaign,” operates the Virginia Film Office, and provides visitor relations services with the operation of welcome centers throughout the Commonwealth.

The Authority has a Board of Directors comprised of 16 members, including the Lieutenant Governor, Secretaries of Commerce and Trade, Finance, and Natural Resources; and 12 members appointed by the Governor and confirmed by the General Assembly. The Governor appoints the Executive Director of the Authority. The Authority has five programmatic areas to manage its activities. These areas are 1) Administration, Customer Services, and Revenue, 2) Marketing, 3) Film and Constituent Relations, 4) Partnership Marketing, and 5) Research.

General Fund appropriations are the primary funding source for operations of the Authority. The Authority can retain and carry forward its appropriations. The Authority also receives funds from the Department of Transportation to operate the Commonwealth’s welcome centers. The remaining funding sources include grants and participation fees from promotional activities. The schedule below presents a breakout of the Authority’s funding sources for the fiscal year ended June 30, 2012.

Funding by Source for the Fiscal Year Ended June 30, 2012



Source: Virginia Economic Development Partnership’s Accounting System

A breakdown of the Authority's expenses by type for the fiscal year ended June 30, 2012, is shown below. The majority of the Authority's expenses are for payroll, advertising and promotion, and consulting and various other services.

Analysis of Expenses by Type for Fiscal Year Ended June 30, 2012

	<u>2012</u>	Percentage of Total <u>Expenses</u>
Advertising and Promotion	\$ 6,220,573	27%
Personnel	6,117,474	27%
Services	3,268,424	14%
Grants and Pass-Through Payments	3,217,498	14%
Electronic Marketing	1,931,071	9%
Fixed Asset Payments	514,078	2%
Supplies and Materials	500,402	2%
Travel	385,415	2%
Missions, Shows, and Events	329,813	2%
Other Expenses	<u>263,384</u>	1%
Total Expenses	<u>\$22,748,132</u>	<u>100%</u>

Source: Virginia Economic Development Partnership's Accounting System



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Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

January 31, 2013

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable John M. O'Bannon, III
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Virginia Tourism Authority** for the year ended June 30, 2012. 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 Authority's financial system, review the adequacy of the Authority's internal controls, and test compliance with applicable laws and regulations.

Audit Scope and Methodology

The Authority'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.

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.

Revenue
Expenses (including payroll)
Procurement

We performed audit tests to determine whether the Authority'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. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Authority's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses. As the Authority relies on the internal control structure of the Virginia Economic Development Partnership (Partnership), we also reviewed the results of our audit of the Partnership operations.

Conclusions

We found that the Authority's financial transactions were properly recorded and reported, in all material respects in the Partnership's accounting system. The Partnership records the Authority's 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 Partnership's accounting 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.

Exit Conference and Report Distribution

We discussed this report with management on February 13, 2013.

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

LJH/clj

VIRGINIA TOURISM AUTHORITY
Richmond, Virginia

BOARD OF DIRECTORS

Cal Simmons, Chairman

William T. Bolling, Ex-Officio
Richard Brown, Ex-Officio
James S. Cheng, Ex-Officio
Douglas W. Domenech, Ex-Officio
Trixie L. Averill
Sheila C. Bradley
David M. Hummel
Sheila S. Johnson
Robert McConnell
Susan K. Payne
Susan S. Platt
Paul C. Reber
James B. Ricketts
Brian C. Roeder
Phyllis Terrell

President and Chief Executive Officer

Rita D. McClenny

Vice President of Administration and Finance

Mitch Rosenfeld