

DEPARTMENT OF BUSINESS ASSISTANCE

**REPORT ON AUDIT
FOR THE YEARS ENDED
JUNE 30, 2003 AND 2004**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Department of Business Assistance for the years ended June 30, 2003 and 2004, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- management has established and maintained internal controls over the revenues and expenditures tested; and
- compliance with all applicable laws and regulations.

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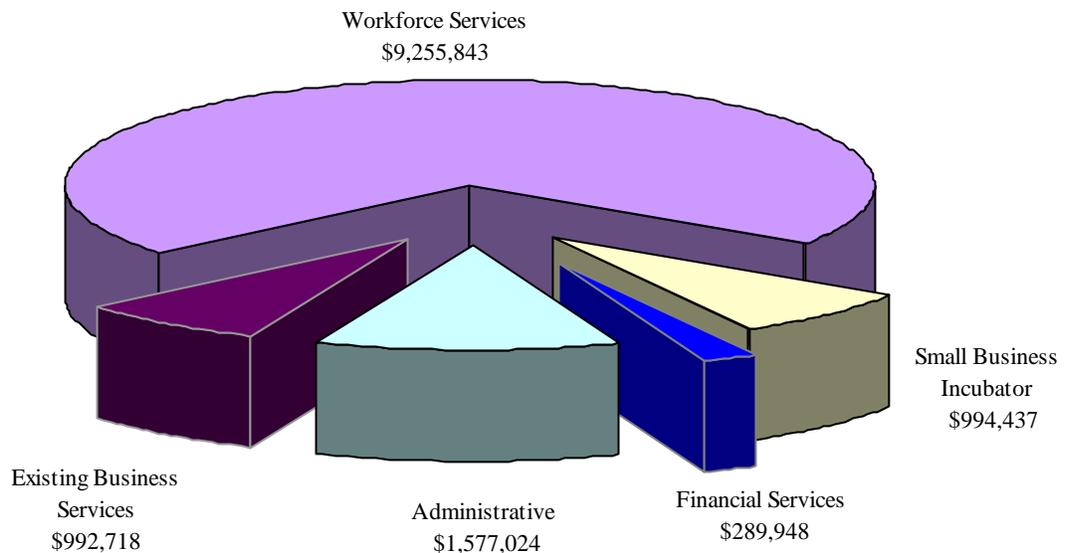
INDEPENDENT AUDITOR'S REPORT

AGENCY OFFICIALS

AGENCY HIGHLIGHTS

The Department of Business Assistance administers the Industrial Development Services Program that provides a variety of services to business and industry including financial assistance, training, and counseling. The Department's primary funding source is General Fund appropriations. Below is a summary of the Department's expenses by division for fiscal year 2004, followed by a description of each division's operations.

Expenditures by Division



Workforce Services

The Workforce Services Division supports business development by providing training grants and incentives to new and expanding companies for the recruitment and training of individuals. During fiscal year 2004, the Division assisted 507 companies who provided training or new jobs for 16,016 Virginians.

Small Business Incubator Program

The Small Business Incubator Program provides grants and technical assistance to local and regional non-profit groups to establish and operate small business incubators. Small business incubators help entrepreneurs and startup businesses by providing the expertise, networks, and tools needed to start their ventures. As of fiscal year 2005, this program will receive no additional funding.

Existing Business Services

The Existing Business Services Division is a resource for business information, problem solving, and procurement assistance. This group services existing businesses with a focus on small business. The Division has four programs which are listed below.

The Virginia Business Information Center
The Limited English Proficiency Program

The Procurement Assistance Program
The Outreach Group

Financial Services

The Financial Services Division identifies potential capital financial resources for business clients and administers loan and guarantee programs designed to foster growth and private financing. The Division also oversees the Virginia Small Business Financing Authority, which provides financial assistance to small businesses through the issuance of bonds, loan guarantees, and other assistance.

Administrative

The Administrative Division provides executive management, fiscal, budgetary, information systems, public relations, educational, and human resource support to the other divisions within the Department.

Small Business Development

Prior to January 1, 2003, the Division managed the *Virginia Small Business Development Center Network*, which provided management counseling and guidance to small businesses and entrepreneurs. Funding for this program came from a federal grant from the Small Business Administration. Effective January 1, 2003, George Mason University assumed responsibility for administration of this grant and the network and the Department abolished the Division.

FINANCIAL INFORMATION

The schedules below summarize the Department's budgeted revenues and expenses compared with actual results for fiscal year 2004.

Analysis of Budgeted and Actual Appropriations and Funding Fiscal Year Ended June 30, 2004

<u>Funding Source</u>	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Funding Received</u>
General Fund appropriations	\$10,795,084	\$11,915,679	\$11,915,679
Special revenue	325,253	907,416	933,805
Trust and agency	-	825,000	825,000
Miscellaneous revenue	<u>115,088</u>	<u>115,088</u>	<u>77,668</u>
Total resources	<u>\$11,235,425</u>	<u>\$13,763,183</u>	<u>\$13,752,152</u>

Analysis of Budgeted and Actual Expenses Fiscal Year Ending June 30, 2004

<u>Fiscal Year</u>	<u>Program Expenses</u>			<u>Expenses by Funding Source</u>		
	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>General Fund</u>	<u>Special Revenues</u>	<u>Trust and Agency</u>
2004	<u>\$11,235,425</u>	<u>\$13,763,183</u>	<u>\$13,109,970</u>	<u>\$11,491,593</u>	<u>\$793,377</u>	<u>\$825,000</u>

The Department's General Fund appropriations were increased to carry forward unspent appropriations from fiscal year 2003, which were required to be carried forward per item 108 of Chapter 943 of the Appropriation Act. The Department increased its trust and agency appropriations as a result of additional funding received from the Virginia Employment Commission as part of the Workforce Investment Act federal program. The Department received additional special revenue appropriations as a result of the receipt of a transfer of industrial training funds from the General Fund.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
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March 22, 2005

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

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

We have audited selected financial records and operations of the **Department of Business Assistance** for the years ended June 30, 2003 and 2004. We conducted our audit in accordance with the standards for performance audits set forth in Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives, Scope, and Methodology

Our audit's primary objective was to review the significant cycles for the Department's activities as reported in the Commonwealth Accounting and Reporting System (CARS). In support of this objective, we evaluated the accuracy of recording financial transactions in CARS, reviewed the adequacy of the Department's internal control, and tested for compliance with applicable laws, regulations, contracts, and grant agreements.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department'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, regulations, contracts, and grant agreements. Our review encompassed controls over the following significant cycles:

- Payroll Expenditures
- Training and Incubator Grant Expenditures
- Federal Grant Revenue and Expenditures

We gained an understanding of the overall internal controls surrounding these cycles, both automated and manual, 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 Department's controls were adequate, had been placed in operation, and were being followed.

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, regulations, contracts, and grant agreements. 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 Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System for the cycles listed in the scope section of this report.

We noted no matters involving internal control and its operation that we considered necessary to bring to management's attention.

The results of our tests of compliance with applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

EXIT CONFERENCE

We discussed this letter with management at an exit conference held on March 29, 2005.

AUDITOR OF PUBLIC ACCOUNTS

DEPARTMENT OF BUSINESS ASSISTANCE

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Preston Wilhelm
Division Director
Workforce Services

Elizabeth Moran
Division Director
Legislative and Community Affairs
(Small Business Incubator Program)

Wayne Waldrop
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Existing Business Services

Scott Parsons
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Stacy vanLeliveld
Director of Administration