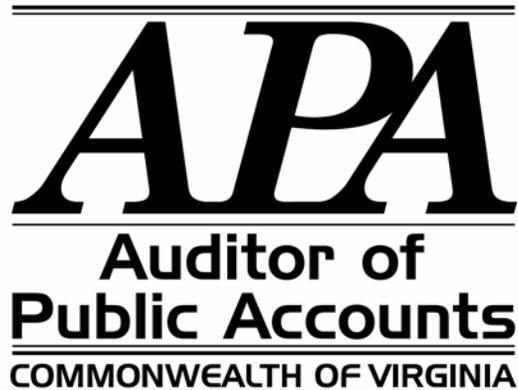


DEPARTMENT OF HISTORIC RESOURCES

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2005**



AUDIT SUMMARY

Our audit of the Department of Historic Resources, for the year ended June 30, 2005, 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.

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AGENCY HIGHLIGHTS

The Department of Historic Resources (Department), through its various programs, encourages and supports the identification, evaluation, protection, preservation, and rehabilitation of significant historic, architectural, archaeological, and cultural resources. The Department also establishes and maintains a permanent record of those resources and makes those records and artifacts accessible to support historic preservation and education. The Department fosters appreciation of the resources among the citizens of the Commonwealth and helps public agencies and private citizens put Virginia's history to work. Finally, the Department administers grants to local governments, museums, historic sites, and other non-state entities under the Financial Assistance for Historic and Commemorative Attractions and the Financial Assistance for Cultural and Artistic Affairs programs.

The Governor appoints the Historic Resources' director, who serves as the State Historic Preservation Officer for the purposes of carrying out the federal National Historic Preservation Act of 1966, as amended. The State Review Board and the Board of Historic Resources exist to advise the director in certain program areas. The Board of Historic Resources also designates state landmarks, approves historical markers, and accepts preservation easements on properties.

Financial Information

General Fund appropriations account for approximately 75 percent of the actual funding the Department received during fiscal year 2005. The remaining funds come from special revenue and federal funds. The following schedule illustrates the budgeted and actual funding for the Department for fiscal year 2005.

Analysis of Budget and Actual Funding

<u>Fund Type</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Funding</u>
General	\$2,492,929	\$3,548,839	\$3,548,839
Special Revenue	280,425	485,025	305,000
Transportation	100,000	100,000	100,000
Dedicated Special Revenue	-	5,850	1,000
Federal	<u>802,540</u>	<u>802,540</u>	<u>753,000</u>
Total	<u>\$3,675,894</u>	<u>\$4,942,254</u>	<u>\$4,707,839</u>

Source: Commonwealth Accounting and Reporting System

The Department distributes grants to non-state entities as directed by the Appropriation Act. The increase in the General Fund final budget over the original budget is due mainly to an annual transfer of funding from central appropriations for the Virginia Horse Center Foundation, which totaled \$890,000 in fiscal year 2005. The Department acts as the pass-through entity, transferring the funds to the Virginia Horse Center Foundation.

Analysis of Budget to Actual Expenses by Program

<u>Program</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
Administrative and Support Services	\$1,094,840	\$1,568,051	\$1,498,073
Historic and Commemorative Attraction Management	2,581,054	3,349,203	2,994,733
Financial Assistance for Cultural and Artistic Affairs	<u>-</u>	<u>25,000</u>	<u>11,368</u>
Totals	<u>\$3,675,894</u>	<u>\$4,942,254</u>	<u>\$4,504,174</u>

Source: Commonwealth Accounting and Reporting System

The final budget for Administrative and Support Services had a net increase over the original budget due to the receipt of funds for the Virginia Horse Center Foundation of \$890,000 and a transfer out of \$400,000 to the Historic and Commemorative Attraction Management program to reflect actual operations. The transfer from the Administrative and Support Services program of \$400,000, an appropriation for one-time grants, cost shares, and fees of \$160,000, and approximately \$200,000 in miscellaneous re-appropriations and other items resulted in a budgetary increase in the Historic and Commemorative Attraction Management program.

Actual expenses for Historic and Commemorative Attraction Management were approximately \$350,000 less than the final budget. A majority of the variance stems from a two-year locality cost share program in which the full two years are budgeted in the initial year, which was 2005. The Department carried forward the unspent portion of \$107,000 plus \$55,000 in matching funds to fiscal year 2006. The remaining variance is due to items that the Department anticipated but did not occur such as an information system upgrade, contracting services related to a land donation, vacancies, and a reduced need for temporary services.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

June 14, 2006

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited selected financial records and operations of the **Department of Historic Resources** for the year ended June 30, 2005. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal controls, and test compliance with applicable laws and regulations.

Audit Scope and Methodology

The Department'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 control 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.

- Contractual services expenditures
- Payroll administration
- Appropriations
- Fixed assets

We performed audit tests to determine whether the Department'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 Department's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

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

REPORT DISTRIBUTION

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

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sks: 31

DEPARTMENT OF HISTORIC RESOURCES

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Director

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