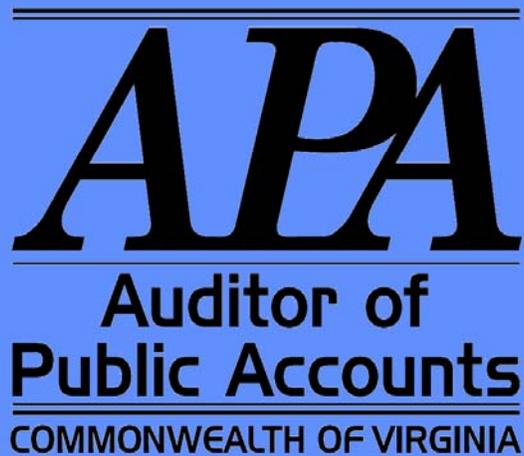


**DIVISION OF SELECTED AGENCY
SUPPORT SERVICES**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2010**



AUDIT SUMMARY

Our June 30, 2010, audit report on the agencies receiving administrative support from the Division of Selected Agency Support Services in the Office of the Secretary of Administration includes the following entities:

Secretary of the Commonwealth
Virginia-Israel Advisory Board
Interstate Organization Contributions

Office of Commonwealth Preparedness
Office for Substance Abuse Prevention
Citizens' Advisory Council

We found the following:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System; and
- one matter requiring management's attention involving internal control and its operations and noncompliance with applicable laws and regulations.

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AUDIT FINDINGS AND RECOMMENDATIONS

Improve Compliance with the Commonwealth's Deposits Policy

The Commonwealth requires agencies to deposit state funds no later than the next business day following collection. The Secretary of the Commonwealth's office is not transferring its collections in time for the Division of Selected Agency Support Services (DSAS) to meet this requirement. In addition, both before and during the processing of the collections at the Secretary's Office, the funds are not stored in a secure location.

DSAS should ensure that the agencies they serve consistently follow the Commonwealth's policies and procedures in remitting revenues for deposit, as the timeliness of these deposits is an important internal control to prevent mishandling of funds and safeguard against loss. DSAS and the Secretary of the Commonwealth should consider modifying their current processes, including discussing alternative deposit methods with the Department of Treasury, to ensure they deposit funds in accordance with state policies. Additionally, the Secretary of the Commonwealth's office must provide a secure location to store any checks not deposited on the date of collection.

AGENCY BACKGROUND AND FINANCIAL INFORMATION

This report includes the financial activity of the agencies below. The Secretary of Administration's Division of Selected Agency Support Services provides administrative support for these agencies.

Secretary of the Commonwealth	Office of Commonwealth Preparedness
Virginia-Israel Advisory Board	Office for Substance Abuse Prevention
Interstate Organization Contributions	Citizens' Advisory Council

The Division also keeps financial records for the Offices of the Governor and Lieutenant Governor and the Governor's Cabinet Secretaries. We issue separate reports on these entities.

Secretary of the Commonwealth

The Secretary of the Commonwealth performs the following duties:

- serves as custodian of the Governor's official records;
- handles services of process on some defendants in civil actions, processes extraditions, and restores civil rights;
- registers and regulates lobbyists;
- appoints and regulates notaries public;
- researches and coordinates recommendations for gubernatorial appointments to boards and commissions;
- compiles and publishes the Report on the Secretary of the Commonwealth;
- maintains conflict of interest statements filed by state officials; and
- maintains the Governor's Executive Journal and papers.

The Secretary's Office primarily receives General Fund appropriations. In fiscal year 2010 the Secretary's Office also received funding through the Commonwealth's Technology Trust Fund to provide for the development and implementation of technology improvements related to the notary process.

The Secretary also collects notary fees, trademark fees, and various other fees and deposits them directly into the General Fund of the Commonwealth. These collections totaled \$2,697,301 in fiscal year 2010. The table below does not include these collections since they are not available to the Secretary to fund operations. The following tables summarize the budget and expenses for the Secretary's Office in fiscal year 2010.

Budget Analysis for Fiscal Year 2010

Funding source:	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
General Fund appropriations	\$1,994,174	\$1,980,855	\$1,955,841
Technology Trust Fund appropriations	-	275,000	200,043
Total	<u>\$1,994,174</u>	<u>\$2,255,855</u>	<u>\$2,155,884</u>

Expenses for Fiscal Year 2010

Personal services	\$ 1,371,073
Contractual services	572,143
Continuous charges	191,007
Supplies and materials	18,823
Equipment	624
Transfer payments	<u>2,214</u>
Total	<u>\$2,155,884</u>

Virginia-Israel Advisory Board

The Virginia-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. No members of the Board receive compensation for their services. The Board does not receive an original appropriation each year, but receives an appropriation transfer from the Department of Business Assistance. The following tables summarize the budget and expenses for the Board in fiscal year 2010.

Budget Analysis for Fiscal Year 2010

Funding source:	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
General Fund appropriations	\$ -	\$134,173	\$132,850

Expenses for Fiscal Year 2010

Personal services	\$108,849
Contractual services	20,044
Continuous charges	3,500
Supplies and materials	<u>457</u>
Total	<u>\$132,850</u>

Interstate Organization Contributions

Interstate Organization Contributions are memberships to the National Governor's Association and other national organizations paid with General Funds. The only expenses are the state's dues to the national organizations. The following table summarizes the budget and expenses in fiscal year 2010.

Budget Analysis for Fiscal Year 2010

Funding source:	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
General Fund appropriations	<u>\$223,849</u>	<u>\$211,349</u>	<u>\$211,349</u>

Office of Commonwealth Preparedness

The Office of Commonwealth Preparedness works with federal, state, and local officials, as well as the private sector, to develop a coordinated security and preparedness strategy and implementation plan. The Office serves as the liaison between the Governor and the federal government as well as local governments and first responders on emergency prevention, preparedness, response, and recovery issues. The Office receives a General Fund appropriation and some Federal Funds through the Department of Emergency Management. The Office converted several positions to federal grant funding during the year which resulted in General Fund actual expenses being less than budgeted. The following tables summarize the budget and expenses for the Office in fiscal year 2010.

Budget Analysis for Fiscal Year 2010

Funding source:	Original Budget	Final Budget	Actual Expenses
General Fund appropriations	\$1,053,299	\$ 531,319	\$423,685
Federal Funds	65,000	567,418	540,264
Total	<u>\$1,118,299</u>	<u>\$1,098,737</u>	<u>\$963,949</u>

Expenses for Fiscal Year 2010

Personal services	\$829,078
Contractual services	54,401
Continuous charges	73,089
Supplies and materials	7,348
Equipment	<u>33</u>
Total	<u>\$963,949</u>

Office for Substance Abuse Prevention

The Office for Substance Abuse Prevention helps coordinate the Commonwealth's substance abuse prevention activities. The Office cooperates with federal, state, and local agencies, private and public agencies, interested organizations, and individuals in order to prevent substance abuse within the Commonwealth. The Office works with Virginia Commonwealth University to provide these services.

The Office's funding comes primarily from federal grant funds transferred from the Virginia Department of Behavioral Health and Developmental Services and the Department of Education. The Office also received a \$35,000 transfer from the Department of Alcoholic Beverage Control to support the Department's effort to prevent tobacco and alcohol use by youth. Expenses were significantly lower than budgeted because the Office did not receive a grant that it had anticipated receiving when developing the appropriation. The following tables summarize the budget and expenses for the Office in fiscal year 2010.

Budget Analysis for Fiscal Year 2010

Funding source:	Original Budget	Final Budget	Actual Expenses
Federal Funds	\$ 615,909	\$ 615,909	\$ 425,517
Special revenue	-	35,000	-
Total	<u>\$ 615,909</u>	<u>\$ 650,909</u>	<u>\$ 425,517</u>

Expenses for Fiscal Year 2010

Personal services	\$ 253,777
Contractual services	148,548
Continuous charges	19,379
Transfer payments	3,300
Supplies and materials	<u>513</u>
Total	<u>\$ 425,517</u>

Citizens' Advisory Council

The Citizens' Advisory Council on Furnishing and Interpreting the Executive Mansion is established as an advisory council in the executive branch of state government to operate as a nonprofit charitable organization. The Council does not receive an original appropriation as its funding consists of carryover balances from the previous year and additions to appropriations for donations it receives during the year.

The Council had a carryover balance of approximately \$55,000 from fiscal year 2009 and collected donations of approximately \$44,000 to provide for the structural preservation of the Executive Mansion and the restoration of its contents. The following tables summarize the budget and expenses for the Council in fiscal year 2010.

Budget Analysis for Fiscal Year 2010

Funding source:	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>Expenses</u>
Special revenue	\$ <u> </u> -	<u>\$54,990</u>	<u>\$ 20,850</u>

Expenses for Fiscal Year 2010

Contractual services	\$13,405
Supplies and materials	2,590
Equipment	4,025
Property and improvements	<u>830</u>
Total	<u>\$20,850</u>



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

September 2, 2010

The Honorable Robert F. McDonnell
Governor of Virginia

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

We have audited the financial records and operations of the **following agencies** for the year ended June 30, 2010. The Secretary of Administration's Division of Selected Agency Support Services provides administration support for these agencies.

Secretary of the Commonwealth
Virginia-Israel Advisory Board
Interstate Organization Contributions

Office of Commonwealth Preparedness
Office for Substance Abuse Prevention
Citizen's Advisory Council

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 Commonwealth Accounting and Reporting System, review the adequacy of the agencies' internal controls, and test compliance with applicable laws and regulations.

Audit Scope and Methodology

Agency 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.

- Expenses
- Revenues
- Appropriations
- Small Purchase Charge Card

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

Conclusions

We found that the agencies properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Office records the agencies 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 certain matters involving internal control and its operation that require management's attention and corrective action. These matters are described in the section entitled "Audit Findings and Recommendations." 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 September 2, 2010. Management's response has been included at the end of this report.

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

SAH:alh



COMMONWEALTH of VIRGINIA

Office of the Governor
Richmond 23219

September 2, 2010

Secretary of Administration
Division of Selected Agency
Support Services

Mr. Walter J. Kucharski, Auditor
Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Dear Mr. Kucharski:

This letter comes to you in response to the Auditor of Public Accounts finding and recommendation regarding untimely revenue deposits relative to the Report on Audit for the Fiscal Year ended June 30, 2010.

The Division of Selected Agency Support Services (DSAS) respects and agrees with the finding and recommendation. After being initially notified of the finding corrective measures were immediately implemented. A procedural review of departmental operations was conducted. The review revealed that because of certain processing requirements, it could take more than 24 hours for some departments to process checks. We requested an exemption from the Department of Treasury to allow for a deposit processing time of up to 72 hours, and requested permission to use the Remote Deposit Entry system if the agency qualifies. In addition, we have procured two fire-proof safes to ensure that unprocessed checks will remain secure until such time that they can be deposited.

Please contact me directly if you have any questions.

Thank you,

A handwritten signature in cursive script, appearing to read "Dennis M. Johnson".

Dennis M. Johnson
Director

DIVISION OF SELECTED AGENCY SUPPORT SERVICES

As of June 30, 2010

Janet V. Polarek
Secretary of the Commonwealth

Ralph Robbins
Executive Director, Virginia-Israel Advisory Board

Martin L. Kent
Chief of Staff, Interstate Organization Contributions

Terrie L. Suit
Office of Commonwealth Preparedness

Gene Miles
Acting Director, Office for Substance Abuse Prevention

Dennis M. Johnson
Director, Division of Selected Agency Support Services