



## GENEDGE ALLIANCE

### REPORT ON AUDIT FOR THE PERIOD

JULY 1, 2012 THROUGH JUNE 30, 2015

Auditor of Public Accounts  
Martha S. Mavredes, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

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## AUDIT SUMMARY

Our audit of GenEdge Alliance for the period July 1, 2012, through June 30, 2015, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System and PeopleSoft Administrative Information System (AIS);
- 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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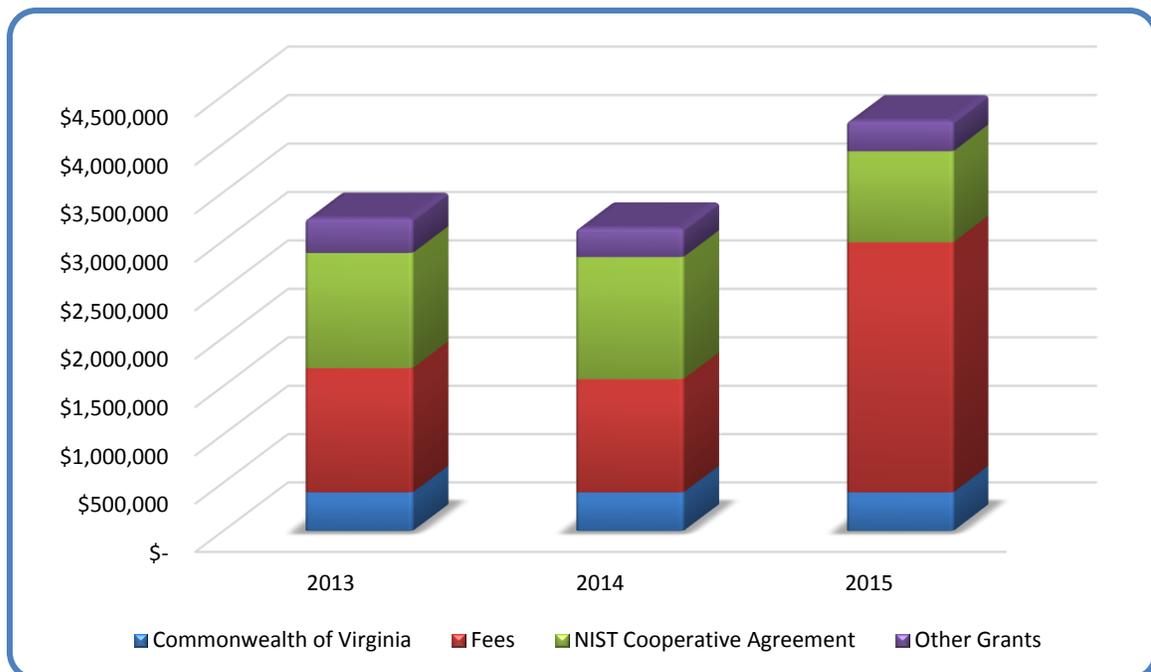
## AGENCY HIGHLIGHTS

The mission of the GenEdge Alliance (GenEdge), otherwise referred to as the A. L. Philpott Manufacturing Extension Partnership, is to create and maintain industrial and manufacturing jobs by helping Virginia industries compete. As an independent entity headquartered in Martinsville, Virginia, GenEdge provides assistance to the business community through offices across the Commonwealth. The assistance is primarily in the form of consulting services to help companies increase productivity, lower costs, identify growth opportunities, improve technology application, and strengthen production teams. GenEdge’s manufacturing specialists provide expertise in the following areas:

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>Business Growth and Innovation</li> <li>Continuous Process Improvement</li> <li>Supplier Development</li> </ul> | <ul style="list-style-type: none"> <li>Sustainability and Environmental</li> <li>Technology Acceleration</li> <li>Workforce Enhancement</li> </ul> |
|--|--|

GenEdge funds its assistance programs with a General Fund appropriation from the Commonwealth of Virginia, special revenue derived from fees charged to clients for consulting services, federal grant funding from the U.S. Department of Commerce and the National Institute of Standards and Technology (NIST) - Manufacturing Extension Partnership (MEP), and various other grants. The following graph shows the GenEdge’s actual funding by source for fiscal years 2013, 2014, and 2015.

**Funding Sources for Fiscal Years 2013 through 2015**



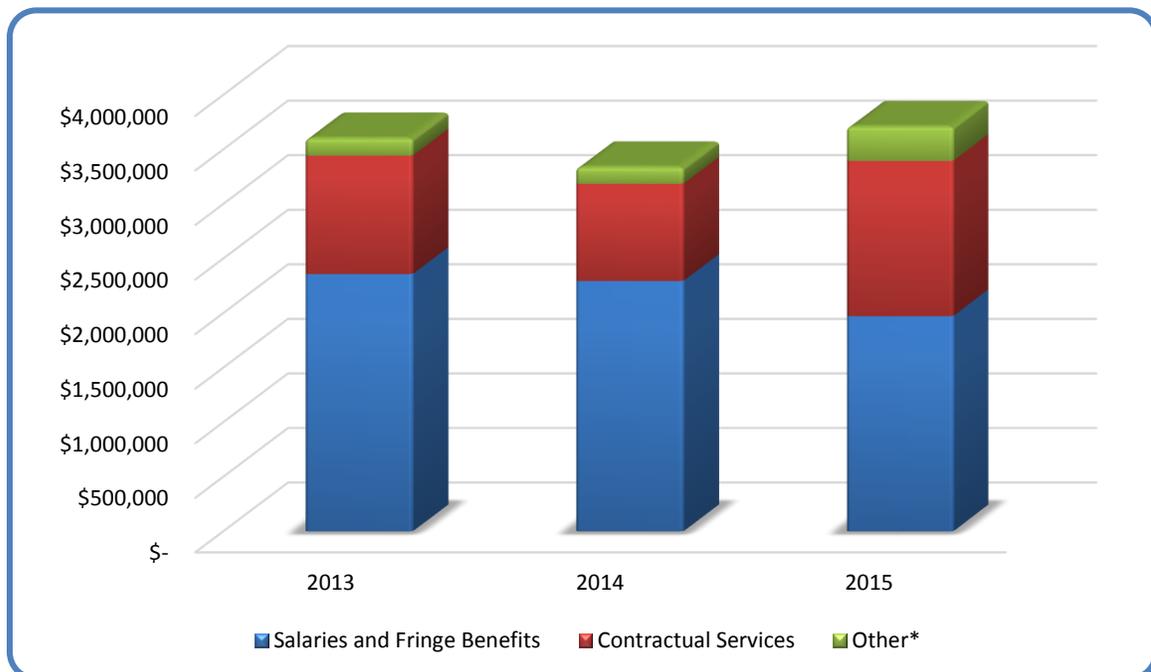
Source: GenEdge’s Accounting Records (AIS)

As can be seen in the graph above, GenEdge generates the majority of its funding from fees for consulting services and federal grants. Client fee revenues increased in fiscal year 2015, primarily due to the implementation of the Domestic Market Expansion Program, which helped provide assistance to companies adversely impacted by federal budget sequestration. Client fee revenues had previously been in decline between fiscal year 2012 and 2014 due to poor economic conditions in the Commonwealth, particularly in the manufacturing sector.

Commonwealth appropriations remained consistent over the three-year period, while revenues stemming from the NIST Cooperative Agreement tapered off in fiscal year 2015 with a decrease in reimbursable program expenses. Due to an organizational restructuring in fiscal year 2014, costs charged to the NIST MEP program decreased, which directly impacted the amount of reimbursements received from the cooperative agreement. GenEdge revenues from other grants remained stable over the period.

A breakdown of GenEdge’s expenses by type for fiscal years 2013 through 2015 is shown in the table and graph below. The majority of the GenEdge’s expenses are for salaries and fringe benefits and contractual services. Restructuring efforts resulted in a decline in salaries and benefits over 2014 and 2015. Contractual services experienced an increase in 2015 due to a shift towards the use of more third party skilled services.

**Expenses for Fiscal Years 2013 through 2015**



Source: GenEdge’s Accounting Records (AIS)

\*Other includes: Equipment, Supplies, Materials, Rent, and Other



# Commonwealth of Virginia

*Auditor of Public Accounts*

Martha S. Mavredes, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

June 16, 2016

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable Robert D. Orrock, Sr.  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **GenEdge Alliance** (A.L. Philpott Manufacturing Extension Partnership) for the period July 1, 2012, through June 30, 2015. 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 and GenEdge's accounting system, review the adequacy of the GenEdge's internal controls, and test compliance with applicable laws, regulations, contracts, and grant agreements.

## **Audit Scope and Methodology**

GenEdge'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, regulations, contracts, and grant agreements.

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:

- Federal grant revenues and expenses
- Contractual services expenses
- Payroll expenses
- Small purchase charge card transactions
- Appropriations
- Cash receipting and collection of accounts receivable

We performed audit tests to determine whether GenEdge’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, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of GenEdge’s operations. We tested transactions and performed analytical procedures, including trend analyses.

### **Conclusions**

We found that GenEdge properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and GenEdge’s accounting system. GenEdge 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 GenEdge Alliance’s accounting records as recorded in the PeopleSoft Administrative Information System (AIS).

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, regulations, contracts, and grant agreements 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 July 26, 2016.

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

ZLB/clj

## **GENEDGE ALLIANCE**

As of April 30, 2016

### **BOARD OF TRUSTEES**

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Chairman

Ed Albrigo  
Jonathan R. Alger  
Kevin D. Creehan  
John T. Dever  
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Tiffany McKillip Franks  
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Roy C. Irvine  
Karen Jackson  
Maurice Jones  
David R. Lohr  
Bruce Scism  
Wayne Smith

Wayne P. Stilwell

### **AGENCY OFFICIALS**

Bill Donohue  
Executive Director

Michael Bollinger  
Business Manager