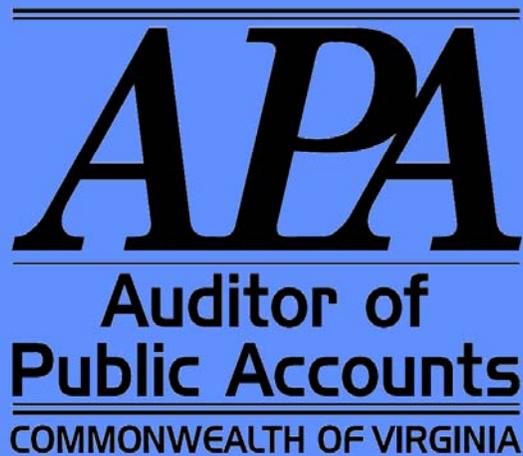


**A.L. PHILPOTT MANUFACTURING
EXTENSION PARTNERSHIP**

**REPORT ON AUDIT
FOR THE YEARS ENDING
JUNE 30, 2008 AND JUNE 30, 2009**



AUDIT SUMMARY

Our audit of Virginia's A.L. Philpott Manufacturing Extension Partnership for the years ending June 30, 2008 and June 30, 2009, found:

- proper recording and reporting of 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 mission of the A.L. Philpott Manufacturing Extension Partnership (Partnership) is to create and maintain industrial and manufacturing jobs by helping Virginia industries compete. As an independent entity headquartered at Patrick Henry Community College in Martinsville, Virginia, the Partnership provides assistance to the business community through six regional offices across the Commonwealth. The assistance is primarily consulting to help companies increase productivity, lower costs, identify growth opportunities, improve technology application, and strengthen production teams. The Partnership’s manufacturing specialists deliver consulting services that include the following.

Lean Enterprise Quality Systems People Systems Strategic Management	Lean Six Sigma Supply Chain Management Enterprise Plus
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The Partnership funds its assistance programs with a General Funds appropriation from the Commonwealth of Virginia; special revenue derived from fees charged to clients for consulting services; and federal grants from the U.S. Department of Commerce and the National Institute of Standards and Technology- Manufacturing Extension Partnership. The following tables compare budget to actual funding for fiscal years 2008 and 2009.

Fiscal Year 2008

<u>Funding Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Over/(Under) Budget</u>
Commonwealth General Funds	\$ 508,140	\$ 482,733	\$ (25,407)
Special revenue	3,000,000	2,363,285	(636,715)
Federal grants	<u>1,576,799</u>	<u>1,735,434</u>	<u>158,635</u>
Total	<u>\$5,084,939</u>	<u>\$4,581,452</u>	<u>\$(503,487)</u>

Fiscal Year 2009

<u>Funding Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Over/(Under) Budget</u>
Commonwealth General Funds	\$ 508,140	\$ 482,733	\$ (25,407)
Special revenue	2,600,000	2,598,388	(1,612)
Federal grants	<u>1,576,799</u>	<u>1,626,178</u>	<u>49,379</u>
Total	<u>\$4,684,939</u>	<u>\$4,707,299</u>	<u>\$ 22,360</u>

As can be seen in the following table, although the General Funds appropriation from the Commonwealth has remained consistent between fiscal years 2008 and 2009, the Partnership generates the majority of its funding from fees for consulting services and federal grants. The General Funds appropriation accounts for approximately nine percent for fiscal year 2008, and 10 percent for fiscal year 2009. Special revenue has had an increase of 10 percent, which represents 52 and 55 percent of total funding for fiscal years 2008 and 2009, respectively. Federal grants have remained stable, accounting for 38 percent in fiscal year

2008 and 35 percent in fiscal year 2009. The following table summarizes the Partnership's actual funding by source for fiscal years 2007 through 2009:

<u>Funding Source</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Commonwealth General Funds	\$ 628,910	\$ 482,733	\$ 482,733
Special revenue	2,593,721	2,363,285	2,598,388
Federal grants	<u>1,515,236</u>	<u>1,735,434</u>	<u>1,626,178</u>
Total	<u>\$4,737,867</u>	<u>\$4,581,452</u>	<u>\$4,707,299</u>

The following tables summarize the Partnership's actual expenses by source for fiscal years 2007 through 2009:

<u>Fiscal Year 2007</u>	<u>General Funds</u>	<u>Federal Grants</u>	<u>Special Revenue</u>	<u>Total</u>
Expenses:				
Salaries and fringes	\$ -	\$ 802,557	\$1,649,475	\$2,452,032
Contractual	506,367	459,399	823,939	1,789,705
Equipment	-	-	57,960	57,960
Supplies, materials, rent, and other	<u>122,543</u>	<u>122,701</u>	<u>1,891</u>	<u>247,135</u>
Total expenses	<u>\$628,910</u>	<u>\$1,384,657</u>	<u>\$2,533,265</u>	<u>\$4,546,832</u>

<u>Fiscal Year 2008</u>	<u>General Funds</u>	<u>Federal Grants</u>	<u>Special Revenue</u>	<u>Total</u>
Expenses:				
Salaries and fringes	\$ -	\$ 926,102	\$1,913,165	\$2,839,267
Contractual	481,260	461,926	1,036,221	1,979,407
Equipment	1,473	3,362	57,888	62,723
Supplies, materials, rent, and other	<u>-</u>	<u>121,043</u>	<u>9,780</u>	<u>130,823</u>
Total expenses	<u>\$482,733</u>	<u>\$1,512,433</u>	<u>\$3,017,054</u>	<u>\$5,012,220</u>

<u>Fiscal Year 2009</u>	<u>General Funds</u>	<u>Federal Grants</u>	<u>Special Revenue</u>	<u>Total</u>
Expenses:				
Salaries and fringes	\$ -	\$1,901,095	\$ 625,824	\$2,526,919
Contractual	482,733	375,398	1,313,964	2,172,095
Equipment	-	-	52,558	52,558
Supplies, materials, rent, and other	<u>-</u>	<u>114,412</u>	<u>17,718</u>	<u>132,130</u>
Total expenses	<u>\$482,733</u>	<u>\$2,390,905</u>	<u>\$2,010,064</u>	<u>\$4,883,702</u>



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

December 9, 2009

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of **A.L. Philpott Manufacturing Extension Partnership** (Partnership) for the years ending June 30, 2008 and June 30, 2009. We conducted this performance audit in accordance with generally accepted government auditing standards, issued by the Comptroller General of the United States. 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 objective was to evaluate the accuracy of recorded financial transactions in the Commonwealth's Accounting and Reporting System, review the adequacy of the Partnership's internal controls, and test compliance with applicable laws and regulations.

Audit Scope and Methodology

The Partnership'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.

- Federal grant revenues and expenditures
- Contractual services expenditures
- Small purchase charge card
- Travel expenditures
- Appropriations
- Cash receipting and collections of accounts receivable
- Effort Reporting

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

Conclusions

We found that the A.L. Philpott Manufacturing Extension Partnership properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Partnership 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.

Exit Conference

We discussed this report with management on December 11, 2009. 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

HCV/alh

A.L. PHILPOTT MANUFACTURING EXTENSION PARTNERSHIP

Jeff Kohler
Executive Director

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