



TOBACCO REGION REVITALIZATION COMMISSION

AUDIT OF COMMUNITY REVITALIZATION PAYMENTS

FOR THE YEAR ENDED
JUNE 30, 2021

Auditor of Public Accounts

Staci A. Henshaw, CPA

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AUDIT SUMMARY

We audited community revitalization payments of the **Tobacco Region Revitalization Commission (Commission)** for the fiscal year ended June 30, 2021. We found:

- proper recording and reporting of related transactions, in all material respects, in the Commonwealth's accounting and reporting system and the Commission's grants management system;
- 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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AUDIT SCOPE OVERVIEW

The Commission's primary mission is to revitalize tobacco-dependent communities in Southern and Southwest Virginia. Committees evaluate grant and loan proposals from eligible participants and make recommendations to Commission members for approval as to what projects should be funded, in what amounts, and whether funding should be in the form of a loan or a grant.

Tobacco Indemnification and Community Revitalization Fund (Fund)

During fiscal year 2021, the Commission made approximately \$25.7 million in payments from the Fund that were categorized as community revitalization or administration. Community revitalization payments were approximately \$23.6 million, or 91 percent of total payments from the Fund. Community revitalization payments consist of grant and loan payments in support of the Commission's mission. Additionally, § 3.2-3104 of the Code of Virginia governs the amount of corpus invasion that can occur each year from the Tobacco Indemnification and Community Revitalization Endowment. During fiscal year 2021, the Commission received the maximum allowable percentage of corpus invasion, 15 percent, \$25.3 million, plus interest earnings of \$12.4 million.

The amount of corpus invasion is significant to the Fund, and therefore we tested it against the limitation established by the General Assembly and enumerated within the Code of Virginia. Additionally, because it is important for the judgment of the employees and members of the Commission to be guided by the law in awarding monies from the Fund, we tested the Commission's implementation and compliance with the State and Local Government Conflict of Interests Act (§ 2.2-3100 et seq. of the Code of Virginia). Finally, we tested a sample of grants and loans to ensure they were presented and approved by members of the Commission during a public meeting.



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 15, 2021

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

Commissioners
Tobacco Region Revitalization Commission

We have audited the community revitalization payments of the **Tobacco Region Revitalization Commission** (Commission) for the year ended June 30, 2021. 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 Scope and Objectives

Our audit's primary objectives with regard to the community revitalization payments were to evaluate the accuracy of transactions as recorded in the Commonwealth's accounting and financial reporting system and the Commission's grants management system; review the adequacy of the Commission's internal controls; and test compliance with applicable laws, regulations, contracts, and grant agreements.

Audit Methodology

The Commission's management has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, contracts, and grant agreements. 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, as they relate to the audit objectives, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Commission’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 as they pertain to our audit objectives.

Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, grants, and loans, and observation of the Commission’s operations. We performed analytical procedures, including an analysis of the corpus invasion of the Tobacco Indemnification and Community Revitalization Endowment. We also tested details of transactions to achieve our objectives.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Conclusions

We found that the Commission properly stated, in all material respects, the community revitalization payment amounts recorded and reported in the Commonwealth’s accounting and financial reporting system and the Commission’s grants management 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, 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 provided a draft of this report to management on December 13, 2021.

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

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

GDS/clj

TOBACCO REGION REVITALIZATION COMMISSION

as of June 30, 2021

Edward “Ed” Owens, Chairman

Lashrecse D. Aird, Vice-Chairman

Brian Ball
Ed Blevins
Gretchen Clark
Becky Coleman
Joel Cunningham
Coley Jones Drinkwater
James E. Edmunds, II
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Buddy Shelton
Richard L. Southerland
Roslyn C. Tyler

Evan Feinman, Executive Director