

AUDIT SUMMARY

Our audit of the Virginia War Memorial Foundation for the year ended June 30, 1998, found:

- proper recording and reporting of transactions, in all material respects on the Foundation's books of record;
- no material weaknesses in the internal control structure; and
- no instances of noncompliance that are required to be reported.

February 17, 1999

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Richard J. Holland
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Virginia War Memorial Foundation** for the year ended June 30, 1998. We conducted our audit in accordance with generally accepted government auditing standards.

Audit Objectives, Scope, and Methodology

Our audit's primary objectives were to review the Foundation's accuracy of recording financial transactions on the books of record, adequacy of the internal control structure, and compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel and inspection of documents and records. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances: Revenues and Expenses.

We obtained an understanding of the relevant policies and procedures for these internal accounting controls. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Foundation's policies and procedures 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.

The Foundation's management has responsibility for establishing and maintaining an internal control structure and complying with applicable laws and regulations. The objectives of an internal control structure are to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are

processed in accordance with management's authorization, properly recorded, and comply with applicable laws and regulations.

Our audit was more limited than would be necessary to provide an opinion on the internal control structure or on overall compliance with laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of the internal control structure to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Audit Conclusions

We found that the Virginia War Memorial Foundation properly stated, in all material respects, the amounts recorded and reported on the books of record. The Foundation records financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

We noted no matters involving the internal control structure and its operation that we consider material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial information being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

The results of our tests of compliance disclosed no instances of noncompliance that are required to be reported under generally accepted government auditing standards.

AUDITOR OF PUBLIC ACCOUNTS

JBS:whb
whb:24

FOUNDATION HIGHLIGHTS

The Virginia War Memorial Foundation (the Foundation) seeks to honor Virginians for faithful service in time of war. The Foundation's Board of Trustees (the Trustees) determines how to do this and oversees all Foundation activities. The Trustees also ensure the War Memorial includes the names of all Virginians listed as "Missing in Action" from the Vietnam War or killed in the Persian Gulf Conflict.

To support its mission, the Foundation requests donations through individual solicitations and from groups using the Memorial facilities. For fiscal 1998, the Foundation collected approximately \$16,995 in donations and received an operational appropriation of \$100,000 from the Commonwealth. The 1998 General Assembly also made an additional appropriation of approximately \$875,000 for operations and improvements to the Memorial during fiscal years 1999 and 2000.

During fiscal 1998 the Foundation hired an Executive Director and a publicity firm to expand the Foundation's advertising and fund-raising activities. The publicity firm proposed and the Trustees approved a three-phase campaign, beginning with a capital campaign to be completed by 2000. To date the firm has presented several proposals to companies within the Richmond area, but no contribution commitments have been received.

Fiscal 1998 Financial Highlights

Beginning Fund Balance	\$ 22,931.25
Revenues:	
Donations	16,994.86
Interest Earned	1,128.22
Transfer from General Services	<u>100,000.00</u>
Total Revenues	118,123.08
Expenses:	
Personnel	(64,630.00)
Consulting Services	(48,737.77)
Other Expenses	<u>(5,993.05)</u>
Total Expenditures	(119,360.82)
Ending Fund Balance	<u>\$ 21,693.51</u>

The Department of General Services maintains financial activity records for the Foundation. We have issued a separate report, dated February 19, 1999, on the results of our audit of the Department of General Services.