



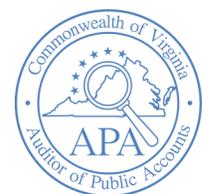
VETERANS SERVICES FOUNDATION

REPORT ON AUDIT FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2015

Auditor of Public Accounts
Martha S. Mavredes, CPA

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(804) 225-3350



AUDIT SUMMARY

Our audit of the Veterans Services Foundation (Foundation), which receives administrative and other services from the Virginia Department of Veterans Services (Department), for the calendar year ended December 31, 2015, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- a matter involving internal control and its operation necessary to bring to management's attention; and
- an instance of noncompliance with applicable state regulations that is required to be reported.

Our audit encompassed controls over the donations and expenses for the Foundation and did not include controls and fiscal operations of the Department that did not support services provided to the Foundation. The previous audit report for the Foundation was included in the audit of the Department. As a result of focusing the audit scope on the Foundation, we did not perform follow-up procedures on the Department's findings, which were included in the report entitled: [Department of Veterans Services and Veterans Services Foundation Report on Audit](#). We will perform follow-up procedures on those findings as part of our next audit of the Department.

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AUDIT FINDING AND RECOMMENDATION

Improve Internal Controls Over Donations

Collectively, the Foundation and the Department can improve controls over donations intended for the Veterans Services Fund (Fund). As required by the Code of Virginia, the Foundation obtains fiscal services from the Department; their relationship is governed by a memorandum of understanding between the two entities. While donors are currently provided with a receipt for each individual donation, the receipts are not sequentially pre-numbered. As a result, both entities are limited in their ability to detect if all donated moneys are deposited into the Fund. Additionally, while the Foundation's Donation Policy J4.9 E is to send thank you letters to each donor to acknowledge the amount of the donation, which could be considered a compensating control, we found that these letters were not consistently sent and on file at the Foundation.

Commonwealth Accounting Policies and Procedures Manual Topic 20200 Cash Receipts Accounting, requires state entities to have internal controls to ensure that "all deposits are properly and accurately recorded and accounted." Without adequate controls ensuring completeness of donations, there is a risk that monies could go missing that would damage the goodwill and reputation of the Foundation. Additionally, the incomplete record of thank you letters could allow for donations to be diverted and not deposited to the Fund without detection. These risks were caused by the Department and the Foundation not applying consistent procedures for collecting donations throughout the collection process.

The Foundation, with assistance from the Department, should implement internal controls to ensure all intended donations are deposited with the Treasurer of Virginia for the Foundation. Where practical, they should consider deploying the following controls:

- Issue sequentially pre-numbered receipts to donors at the time of donation;
- Discourage donors from only using initials (e.g. VSF) as the payee on their checks; and
- Publicly publish a list of donors along with their donation amounts.

Additionally, the Foundation should consistently send donors thank you letters and retain copies so they can be available for audit.

FOUNDATION HIGHLIGHTS

The Foundation raises funds for support of Commonwealth veteran programs. The Foundation's revenues are deposited into the Veterans Services Fund. The Department's Administrative Division processes transactions for the Foundation. The Foundation's funds are spent on various programs (i.e. Virginia Veteran and Family Support, Care Centers, Cemeteries, etc.), which donors can designate. The schedule below summarizes the Foundation's cash balances, donations, and expenses for calendar year 2015.

Veterans Services Fund Activity

Beginning balance, January 1, 2015	\$ 1,012,261
Donations	566,786
Expenses	<u>(272,906)</u>
Ending balance, December 31, 2015	<u>\$ 1,306,141</u>

Source: Commonwealth Accounting and Reporting System



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

September 14, 2016

The Honorable Terence R. McAuliffe
Governor of Virginia

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

As required by the Code of Virginia §2.2-2717, we have audited the accounts of the **Veterans Services Foundation** (Foundation), which receives administrative and other services from the **Virginia Department of Veterans Services** (Department), for the calendar year ended December 31, 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, review the adequacy and effectiveness of the internal controls, and test compliance with applicable laws, regulations, and contracts applicable to the Foundation.

Audit Scope and Methodology

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, and contracts.

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 audit encompassed controls over the donations and expenses for the Foundation.

Our audit of the Foundation did not include controls and fiscal operations of the Department that did not support services provided to the Foundation. The previous audit report for the Foundation was included in the audit of the Department. As a result of focusing the audit scope on the Foundation, we did not perform follow-up procedures on the Department's findings, which were included in the report entitled: [Department of Veterans Services and Veterans Services Foundation Report on Audit](#). We will perform follow-up procedures on those findings as part of our next audit of the Department.

We performed audit tests to determine whether management'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, and contracts. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and donations, and observation of management's operations. We tested transactions and performed analytical procedures.

Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System for the Foundation. The Department records the Foundation's 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 a matter involving internal control and its operation and compliance with applicable laws, regulations, contracts and grant agreements that require management's attention and corrective action. This matter is described in the section entitled "Audit Finding and Recommendation."

Exit Conference and Report Distribution

We provided a draft of this report to management on September 12, 2016. Management declined our offer for an exit conference; however, their response to the finding identified in our audit is included in the section titled "Foundation Response." We did not audit management's response and, accordingly, we express no opinion on it.

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

GDS/alh



COMMONWEALTH of VIRGINIA
Veterans Services Foundation

September 20, 2016

Ms. Martha Mavredes
Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218-1295

Dear Ms. Mavredes:

The Veterans Services Foundation has reviewed the Internal Control Findings and Recommendations provided by the Auditor of Public Accounts for the calendar year ended December 31, 2015 and is in agreement, in principle, with the findings submitted.

Attached for your consideration is a brief update as what actions the Foundation has taken and will take with regard to corrective action for the findings. The formal Corrective Action Workplan will be submitted within thirty days of receipt of the final audit report as required by CAPP Manual Section 10205. Please contact me should you have any questions or require additional information.

On behalf of the Veterans Services Foundation, please extend my appreciation to your staff for their professional audit work and recommendations.

Sincerely,

Jack Hilgers
Executive Director

Internal Control Findings and Recommendations

Improve controls over donations intended for the Veterans Service Fund.

Issue sequentially pre-numbered receipts to donors at the time of donations. – A practical methodology for implementation of such a requirement is problematic and needs definition along with agreement by all concerned that it can be accomplished. The main problem is the geographical diversity of the Department of Veterans Services and the multiple locations and situations where donations are received. This will be pursued with the Auditor of Public Accounts.

Discourage donors from only using initials (e.g. VSF) as the payee of their checks – This is already discouraged, and we will continue to do so. Additionally on our website, it explains how to donate and that all checks should be made out to “Veterans Services Foundation”.

Publicly publish a list of donors along with their donation amounts – the Foundation will be implementing this recommendation in the near future. We will post all donations and amounts that are over the \$250.00 IRS charitable acknowledgement limit. Our plan is to post this on our website and to update quarterly.

Additionally, to ensure all donors receive a timely Thank you letter acknowledging receipt of their donation and to provide more accurate and efficient donation tracking, the Foundation has purchased Donor DataBase software. This software will automatically generate and save donor Thank you letters. It will also provide detailed reporting allowing us to replace our current excel spreadsheet system of tracking donations and donors.

VETERANS SERVICES FOUNDATION

As of December 31, 2015

Brad Antle
Board Chairman

Frank Driscoll
Chair of the Finance Committee

Jack Hilgers
Executive Director

Tammy Davidson
Treasurer for the Veterans Services Foundation
and
Director of Finance for the Department of Veterans Services

John L. Newby, II
Commissioner for the Department of Veterans Services
and
Ex-Officio Voting Trustee for the Veterans Services Foundation