

VIRGINIA TOURISM AUTHORITY

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2013

AUDIT SUMMARY

Our audit of the Virginia Tourism Authority for the fiscal year ended June 30, 2013, found:

- proper recording and reporting of all transactions, in all material respects, in the Authority's financial reporting 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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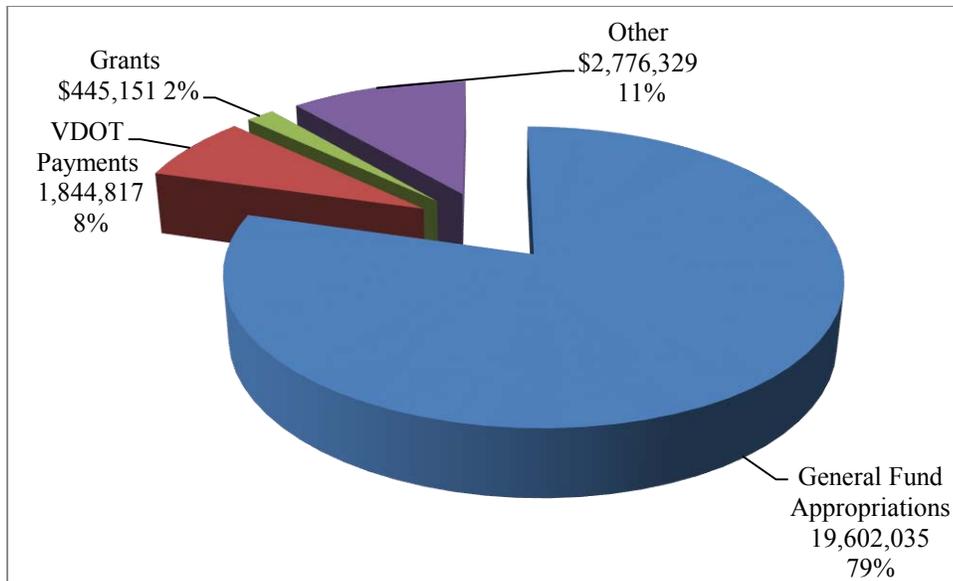
AGENCY HIGHLIGHTS

The Virginia Tourism Authority (Authority) is a political subdivision of the Commonwealth of Virginia authorized to do business as the “Virginia Tourism Corporation.” The Authority was established on July 1, 1999, pursuant to Section 2.2-2315 of the Code of Virginia. The Authority’s mission focuses on enhancing Virginia’s economy by supporting, maintaining, and expanding the Commonwealth’s domestic and international travel market and motion picture production, thereby generating increased visitor expenses, tax revenues, and employment. To achieve this objective, the Authority engages in marketing programs such as the “LOVE Campaign,” operates the Virginia Film Office, and provides visitor relations services with the operation of welcome centers throughout the Commonwealth.

The Authority has a Board of Directors comprised of 16 members, including the Lieutenant Governor, Secretaries of Commerce and Trade, Finance, and Natural Resources; and 12 members appointed by the Governor and confirmed by the General Assembly. The Governor appoints the Executive Director of the Authority. The Authority has five programmatic areas to manage its activities. These areas are 1) Operations and Finance, 2) Marketing, 3) Virginia Film Office, 4) Partnership Marketing, and 5) Research. Administrative functions, including accounting and payroll services, are provided to the Authority by the Virginia Economic Development Partnership.

General Fund appropriations are the primary funding source for operations of the Authority. The Authority can retain and carry forward its appropriations. The Authority also receives funds from the Department of Transportation to operate the Commonwealth’s welcome centers. The remaining funding sources include grants and participation fees from promotional activities. The chart below presents a breakout of the Authority’s funding sources for the fiscal year ended June 30, 2013.

Funding by Source for the Fiscal Year Ended June 30, 2013



Source: Virginia Economic Development Partnership’s Accounting System

A breakdown of the Authority’s expenses by type for the fiscal year ended June 30, 2013, is shown below. The majority of the Authority’s expenses are for payroll, advertising and promotion, and consulting and various other services.

Analysis of Expenses by Type for Fiscal Year Ended June 30, 2013

	<u>2013</u>	<u>Percentage of Total Expenses</u>
Advertising and Promotion	\$ 5,712,241	27%
Personnel	6,073,056	29%
Services	3,700,690	18%
Grants and Pass-Through Payments	2,815,500	13%
Electronic Marketing	1,152,583	5%
Fixed Asset Payments	204,663	1%
Supplies and Materials	391,419	2%
Travel	372,447	2%
Missions, Shows, and Events	350,264	2%
Other Expenses	<u>254,971</u>	<u>1%</u>
Total Expenses	<u>\$21,027,834</u>	<u>100%</u>

Source: Virginia Economic Development Partnership's Accounting System



Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

September 16, 2013

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable John M. O'Bannon, III
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Virginia Tourism Authority** for the year ended June 30, 2013. 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 Authority's financial system, review the adequacy of the Authority's internal controls, and test compliance with applicable laws, regulations, contracts, and grant agreements.

Audit Scope and Methodology

The Authority'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.

- Revenue
- Expenses (including payroll)
- Procurement

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

Conclusions

We found that the Authority properly stated, in all material respects, the amounts recorded and reported in the Authority's financial system. The Authority 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 Authority's financial 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 discussed this report with management on October 10, 2013.

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

LJH/alh

VIRGINIA TOURISM AUTHORITY
Richmond, Virginia

BOARD OF DIRECTORS

Cal Simmons, Chairman

William T. Bolling, Ex-Officio
Richard Brown, Ex-Officio
James S. Cheng, Ex-Officio
Douglas W. Domenech, Ex-Officio
Trixie L. Averill
Sheila C. Bradley
David M. Hummel
Sheila S. Johnson
Robert McConnell
Susan K. Payne
Susan S. Platt
Paul C. Reber
James B. Ricketts
Brian C. Roeder
Phyllis Terrell

President and Chief Executive Officer

Rita D. McClenny

Vice President of Operations and Finance

Mitch Rosenfeld