



VIRGINIA FOUNDATION FOR HEALTHY YOUTH

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2016

Auditor of Public Accounts
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AUDIT SUMMARY

Our audit of the Virginia Foundation for Healthy Youth for the fiscal year ended June 30, 2016, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System, Cardinal, and the Foundation's financial 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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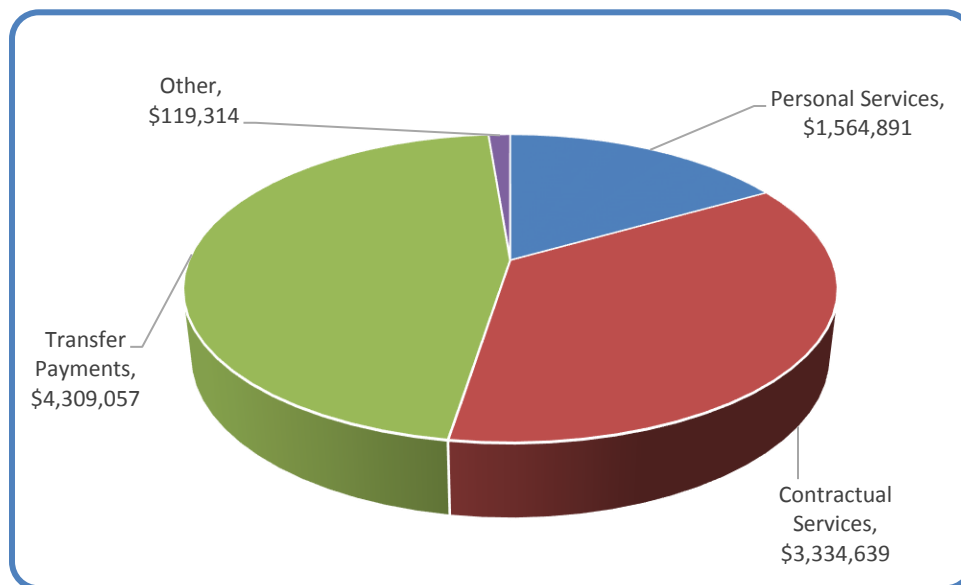
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FOUNDATION HIGHLIGHTS

The Virginia Foundation for Healthy Youth (Foundation) annually receives 8.5 percent of the Commonwealth's allocation of funds from the Master Settlement Agreement with tobacco manufacturers. This allocation was approximately \$9.2 million in fiscal year 2016 and it represents the Foundation's primary source of revenue. A Board of Trustees (Board), comprised of 23 members, governs and administers the Foundation. The Board establishes the Foundation's budget and sets criteria and procedures for distributing money from the Virginia Tobacco Settlement Fund.

The Foundation uses these funds to finance educational and awareness programs on the health effects of tobacco use and obesity on youth. The Foundation also uses funds to conduct research related to the prevention of tobacco use among youth. A breakdown of the Foundation's expenses for fiscal year 2016 by type are presented below. The top three expense types are transfer payments (grants), contractual services (contracts), and personal services (payroll).

Foundation Expenses for the Fiscal Year Ended June 30, 2016



Source – Commonwealth Accounting and Reporting System

The Department of Health (Health) acts as the fiscal agent for the Foundation and provides fiscal and payroll services. The two agencies have an agreement which details the responsibilities of each agency, and the Foundation pays Health \$65,000 annually for these services.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

March 17, 2017

The Honorable Terence R. McAuliffe
Governor of Virginia

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

We have audited the financial records and operations of the **Virginia Foundation for Healthy Youth** for the year ended June 30, 2016. 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, Cardinal, and the Foundation's financial system, review the adequacy of the Foundation's internal controls, and test compliance with applicable laws, regulations, contracts, and grant agreements. The Foundation transitioned to using Cardinal, the Commonwealth's new accounting and financial reporting system, on February 1, 2016.

Audit Scope and Methodology

The Foundation'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.

Master Settlement Agreement revenue
Expenses, including payroll, contract and grant payments

We performed audit tests to determine whether the Foundation'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 Foundation's operations. We performed analytical procedures, including budgetary and trend analyses. 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 Foundation properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System, Cardinal and the Foundation's financial system. The Foundation 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 and Cardinal.

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 March 30, 2017.

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

LCW/clj

VIRGINIA FOUNDATION FOR HEALTHY YOUTH

As of June 30, 2016

Marty Kilgore, Executive Director

Board of Trustees

Sandy L. Chung, Chairman

Delegate John M. O'Bannon, III, Vice-Chairman

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January Britt

Teresa Gardner Tyson

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Sarah Bedard Holland

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Sarah Tollison Melton

Jeffrey L. Painter

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Vineeta Shah

India Y. Sisler

Youth Members

Laura Beamer

Jimmy Jankowski