

## **AUDIT SUMMARY**

Our audit of the Department of Business Assistance for the year ended June 30, 1999, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no material weaknesses in internal control;
- no instances of noncompliance that are required to be reported; and
- adequate implementation of corrective action on the prior year audit finding.

December 30, 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 **Department of Business Assistance** (Department) for the year ended June 30, 1999. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

#### Audit Objectives, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations. We also reviewed the Department's corrective actions of the audit finding from the prior year report.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. 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	Expenditures
Fixed Assets	Federal Compliance

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department'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 and regulations.

The Department'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 and regulations.

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

### Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The Department has taken adequate corrective action with respect to the audit finding reported in the prior year.

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

### EXIT CONFERENCE

We discussed this report with management at an exit conference held on February 14, 2000.

AUDITOR OF PUBLIC ACCOUNTS

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## **AGENCY INFORMATION**

The Department of Business Assistance (Department) administers the Industrial Development Services Program that provides a variety of services to business and industry including financial assistance, training, and counseling. The Department has five divisions described below.

### ***Workforce Services***

The Workforce Services Division supports business development using training grants and incentives. The Division offers services including the recruitment and training of individuals, as well as consulting, video production, and funding. These services, designed to reduce human resource development costs, also ensure that a company's workforce is skilled. The Division's expenses totaled \$15,796,460 during fiscal year 1999.

### ***Existing Industry***

The Existing Industry Division collects and analyzes information on such issues as needed resources and business conditions, which confront industries in today's marketplace. Businesses use this information to expand operations and their workforce within the Commonwealth and to provide opportunities with other Virginia businesses. Existing Industry's expenses for the fiscal year were \$1,302,659.

### ***Financial Services***

The Financial Services Division promotes small business growth by providing guidance to new, expanding, and relocating companies in securing public or private financing. The Division also oversees the Virginia Small Business Financing Authority, a political subdivision of the Commonwealth, which provides financial assistance to small businesses through the issuance of bonds, loan guarantees, and other assistance. The Division spent \$550,229 during fiscal year 1999.

### ***Small Business Development***

The Small Business Division manages the *Virginia Small Business Development Center Network*, which provides management counseling and guidance to small businesses and entrepreneurs through a regional structure of 27 offices throughout the Commonwealth and addresses topics relating to existing businesses and the start-up of new business efforts. In addition, the Small Business Division promotes the *Virginia Women's Business Enterprise Program* that fosters the growth of women-owned businesses in Virginia. Expenditures were \$2,790,711 in fiscal year 1999.

### ***Administrative***

The Administrative Division provides executive management, fiscal, budgetary, information systems, public relations, educational, and human resource support to the other divisions within the Department. Administrative Division expenses totaled \$1,382,162 during the fiscal year.