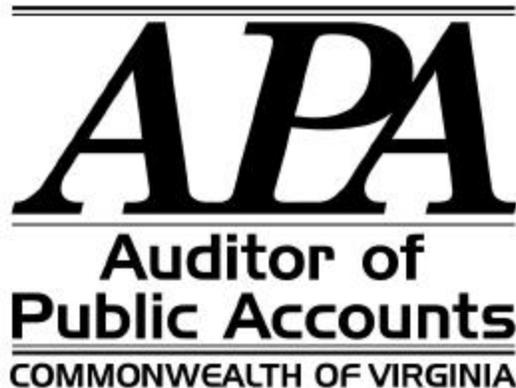


**DIVISION OF SELECTED AGENCY
SUPPORT SERVICES
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2002**



AUDIT SUMMARY

Our audit of the Division of Selected Agency Support Services for the year ended June 30, 2002, found:

- proper recording and reporting of transactions, in all material aspects, in the Commonwealth Accounting and Reporting System;
- no material weaknesses in internal controls; and
- no instances of noncompliance with applicable laws and regulations that are required to be reported.

AGENCY BACKGROUND

This report includes the financial activity of the agencies below. The Secretary of Administration's Division of Selected Agency Support Services keeps the accounting records for these agencies.

Secretary of the Commonwealth
Charitable Gaming Commission
Commission on Virginia/Israel Advisory Board
Interstate Organization Contributions
Office for Substance Abuse Prevention
Virginia Liaison Office
Virginia Veterans' Care Center Board of Trustees

The Division also keeps records for the Offices of the Governor, Lieutenant Governor, and the Governor's Cabinet Secretaries, and the Virginia Racing Commission. We issue separate reports on these entities and include the Citizens' Advisory Council on Furnishing and Interpreting the Executive Mansion in the report of the Office of the Governor.

Secretary of the Commonwealth

The Secretary of the Commonwealth performs has the following duties:

1. Serving as custodian of the Governor's official records;
2. Handling services of process on some defendants in civil actions, processing extraditions, and restoring civil rights;
3. Registering and regulating lobbyists, appointing and regulating notaries public;
4. Researching and coordinating recommendations for Gubernatorial appointments to boards and commissions;
5. Compiling and publishing the Report of the Secretary of the Commonwealth;
6. Maintaining conflict of interest statements filed by state officials; and
7. Maintaining the Governor's Executive Journal and papers.

The Secretary of the Commonwealth receives funding through General Fund appropriations. The following reflects the Secretary's financial activity for fiscal year 2002.

Original appropriation	\$1,476,271	
Adjustments:		
Additional revenue appropriation	290,835	
Salary regrade	38,150	
Deferred compensation match	2,520	
Transfer to Governor's Office Operations	(50,000)	
Management savings	(35,525)	
Retirement contribution savings	(28,906)	
Group life insurance savings	(2,025)	
Retiree health credit rate reversion	<u>(3,436)</u>	
Adjusted appropriations		\$ 1,687,884
Expenses:		
Salaries and fringe benefits	1,033,749	
Contractual services	456,619	
Supplies and materials	35,999	
Continuous charges	101,021	
Equipment	41,080	
Other	<u>8,963</u>	
Total expenses		<u>1,677,431</u>
Unexpended balance		<u>\$ 10,453</u>

The Secretary also collects revenues on behalf of the General Fund of the Commonwealth and deposits these funds directly with the Treasurer of Virginia. The Secretary cannot use these collections to meet current operating needs.

Collections:	
Services of process	\$ 1,250,852
Notary commission fees	724,008
Lobbyist fees	113,065
Certificates of authentication	217,470
State publications sales	6,693
Other	<u>1,923</u>
Total collections	<u>\$ 2,314,011</u>

Charitable Gaming Commission

The Commission oversees all charitable gaming in the Commonwealth. The Commission establishes and enforces regulations over charitable gaming to ensure gaming integrity and the proper use of game revenues. The Commission receives permit application and audit fees from qualified organizations to fund its operations.

Beginning balance		\$1,990,677
Revenues:		
Application permit fees	\$3,238,616	
Interest	5,071	
State asset forfeitures	<u>2,138</u>	
Total revenue		3,245,825
Expenses:		
Salaries and fringe benefits	1,658,459	
Contractual services	342,299	
Supplies and materials	22,899	
Transfer payments	8,273	
Continuous charges	76,974	
Equipment	<u>61,158</u>	
Total expenses		2,170,062
Transfers to the General Fund of the Commonwealth		<u>23,203</u>
Ending balance		<u>\$3,043,237</u>

Commission on Virginia/Israel Advisory Board

The Israel Advisory Board provides advice to the Governor on ways to improve economic and cultural links between the Commonwealth and the State of Israel with a focus on the areas of commerce and trade, art and education, and general government. The Board consists of 29 members appointed by the General Assembly and Governor. No members of the Board receive compensation for their services. In fiscal year 2002, the Board received General Funds transferred from the Department of Business Assistance.

Transfer from the Department of Business Assistance		\$ 130,000
Expenses:		
Salaries and fringe benefits	\$ 80,540	
Contractual services	45,073	
Other	<u>3,542</u>	
Total expenses		<u>129,155</u>
Unexpended balance		<u>\$ 845</u>

Interstate Organization Contributions

Interstate Organization Contributions are memberships to the National Governors Association and other national organizations. Interstate Organization Contributions receives only General Fund appropriations.

Original appropriation	\$ 238,980	
Management Savings	<u>(14,339)</u>	
Total adjusted appropriation		\$ 224,641
Expenses:		
Contractual services		<u>220,507</u>
Unexpended balance		<u>\$ 4,134</u>

Office for Substance Abuse Prevention

The Office for Substance Abuse Prevention helps coordinate the Commonwealth's substance abuse prevention activities. The Office cooperates with federal, state, and local agencies, private and public agencies, interested organizations, and individuals in order to prevent substance abuse within the Commonwealth.

In fiscal year 2002, the Office received federal grant funds transferred from the Department of Mental Health, Mental Retardation, and Substance Abuse Services, and a temporary operating loan from the Department of Treasury. The following reflects the financial activity of the Office.

Beginning balance		\$ 31,464
Transfers:		
Federal grant funds from the Department of Mental Health	\$ 476,556	
Temporary operating loan from Department of Treasury	<u>100,000</u>	
Total transfers		576,556
Expenses:		
Salaries and fringe benefits	158,902	
Contractual services	329,485	
Supplies and materials	2,181	
Continuous charges	6,993	
Equipment	8,899	
Other	<u>48</u>	
Total expenses		<u>506,508</u>
Unexpended balance		<u>\$101,512</u>

Virginia Liaison Office

The Virginia Liaison Office promotes Virginia's interests with the federal government. The Office receives a General Fund appropriation and a transfer of funds from the Transportation Trust Fund. Below is the net financial activity for the Office during fiscal year 2002.

Original appropriation	\$ 230,622	
Adjustments:		
Salary regrade	5,940	
Deferred compensation match	320	
Severance payments	18,500	
Group life savings	(583)	
Retirement contribution savings	(4,141)	
Retiree health credit reversion	(664)	
Management savings	(18,633)	
Transfer to Governor's Office	<u>(29,195)</u>	
Adjusted appropriations		\$ 202,166
Expenses:		
Salaries and fringe benefits	205,461	
Contractual services	13,448	
Continuous charges	76,066	
Other	<u>9,059</u>	
Total expenses		304,034
Transfer from Transportation Trust Fund		<u>114,891</u>
Unexpended balance		<u>\$ 13,023</u>

Virginia Veterans' Care Center Board of Trustees

The Virginia Veteran's Care Center Board of Trustees administers an adult care and nursing home facility for Virginia's veterans. The following reflects the Veteran's Care Center financial activity for fiscal year 2002.

Beginning balance		\$ 1,299,393
Revenues:		
Health support fees	\$ 2,085,570	
Interest	39,097	
Prior year expenditures refund	<u>906</u>	
Total revenues		2,125,573
Expenses:		
Salaries and fringe benefits	192,199	
Contractual services	1,512,575	
Supplies and materials	9,490	
Continuous charges	8,075	
Property and Improvements	1,820	
Equipment	58,663	
Plant and Improvements	952,454	
Other	<u>672</u>	
Total expenses		2,735,948
Less Transfers		<u>8,869</u>
Unexpended balance		<u>\$ 680,149</u>

We conducted a special review of the Veteran's Care Center accounts and records prior to this audit. The results of that review were published in a separate report, which was issued in July 2002.

September 11, 2002

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Kevin G. Miller
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 **Division of Selected Agency Support Services** for the year ended June 30, 2002. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, 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 Division's internal control, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Division'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:

Appropriations	Revenues
Expenditures	Fixed Assets

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 Division'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.

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 Division properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Division 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.

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.

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.

We discussed this report with management on September 11, 2002.

AUDITOR OF PUBLIC ACCOUNTS

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whb:23