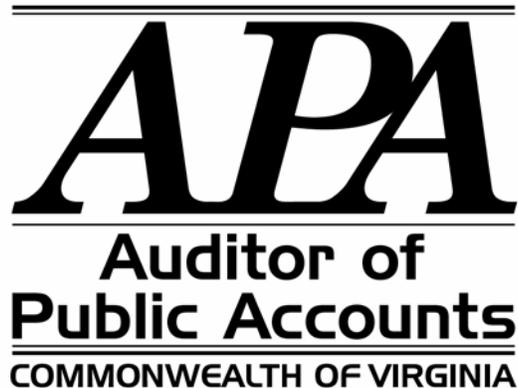


**DEPARTMENT OF CHARITABLE GAMING**

**REPORT ON AUDIT  
FOR THE TWO-YEAR PERIOD ENDED  
JUNE 30, 2006**



## **AUDIT SUMMARY**

Our audit of the Department of the Charitable Gaming for the two-year period ended June 30, 2006, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operations 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 Department of Charitable Gaming controls all charitable gaming in the Commonwealth through prescribed regulations that look to ensure the integrity of charitable gaming and maintain a high quality environment to eliminate fraud, as well as to provide assistance to qualified organizations to enhance their charitable fund raising activities.

The table below compares the Department’s original and adjusted budgets with actual expenses. The Department collected revenues of approximately \$3,142,493; \$3,266,408 for fiscal years 2005 and 2006 respectively, for licenses, permits, and fees.

<u>Original Budget to Actual Expenses</u>			
	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual Expenses</u>
Fiscal Year 2006:			
General	\$ 2,485,149	\$ 2,635,578	\$ 2,635,574
Special	81,000	81,000	-
Total	<u>\$ 2,566,149</u>	<u>\$ 2,716,578</u>	<u>\$ 2,635,574</u>
Fiscal Year 2005:			
General	\$ 2,181,690	\$ 2,208,090	\$ 2,207,001
Total	<u>\$ 2,181,690</u>	<u>\$ 2,208,090</u>	<u>\$ 2,207,001</u>

Personal services accounts for most of the Department’s expenses. For fiscal year 2006, personal services and contractual services accounted for 74 percent and 17 percent respectively.

<u>Expenses by Major Object</u>		
	<u>FY2006</u>	<u>FY2005</u>
Personal services	\$ 1,940,546	\$ 1,612,021
Contractual services	445,766	177,090
Supplies and Materials	12,219	19,095
Transfer payments	-	25
Continuous charges	215,781	371,987
Equipment	21,262	26,783
Total	<u>\$ 2,635,574</u>	<u>\$ 2,207,001</u>



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

March 28, 2007

The Honorable Timothy M. Kaine  
Governor of Virginia  
State Capital  
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

We have audited the financial records and operations of the **Department of Charitable Gaming** for the years ended June 30, 2005 and June 30, 2006. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

## AUDIT OBJECTIVES

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal controls, and test compliance with applicable laws and regulations.

## AUDIT SCOPE AND METHODOLOGY

The Department of Charitable Gaming'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.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control 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.

Expenditures  
Revenues  
Payroll  
State travel charge cards.

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. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records and contracts, and observation of the Department's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

### CONCLUSIONS

We found that the Department of Charitable Gaming 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 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 necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations 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 April 11, 2007.

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

WJK/whb

AGENCY OFFICIALS

DEPARTMENT OF CHARITABLE GAMING

Viola Baskerville, Secretary of Administration

Harry Durham, Interim Director

Betty Bowman, Assistant Director-Administration