



VETERANS SERVICES FOUNDATION

REPORT ON AUDIT FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2016

Auditor of Public Accounts
Martha S. Mavredes, CPA

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AUDIT SUMMARY

We have performed an audit of the Veterans Services Foundation (Foundation), which receives administrative and other services from the Virginia Department of Veterans Services (Veterans Services) for the calendar year ended December 31, 2016. Our audit found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth's accounting and financial reporting system;
- one matter involving internal control and its operation necessary to bring to management's attention;
- no instances of noncompliance with applicable laws and regulations that are required to be reported; and
- limited progress with respect to the prior year finding; therefore, this finding is repeated in this report.

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AUDIT FINDING AND RECOMMENDATION

Improve Internal Controls over Donations

Type: Internal Control

Repeat: Yes, with limited progress

Management at the Foundation and Veterans Services need to strengthen internal controls over donations collected for the Veteran Services Fund (Fund). Veterans Services, including the two veterans care centers, collect and deposit donations received for the Fund, which the Foundation manages.

Management's ability to ensure all monies are properly deposited into the Fund is limited because receipts provided to donors are not sequentially pre-numbered, making it difficult to ensure completeness of collections. In addition, the Virginia Veterans Care Center (VVCC) does not retain and provide copies of donation Thank You letters to donors as required by internal policy.

Section J4.9E of the Foundation's Donation Policy requires that Thank You letters to all donors be prepared, retained, and made available at the request of the Foundation Executive Director or the Veterans Services' Director of Finance.

Veterans Services and Foundation management are currently developing formal policies and procedures over the collection and deposit of monies, including Foundation donations. We encourage them to continue with these efforts, especially in light of recent legislation, which makes the Foundation a separate entity beginning in July 2017. With the pending organizational change, it will be important to have adequate policies and procedures, which clearly lay out the responsibilities of Veterans Services, the care centers, and the Foundation for donation collections.

Consideration should be given to centralizing the process for writing, sending, and retaining copies of donor Thank You letters to ensure consistent application of this policy. Additionally Veterans Services and the Foundation should consider the use of sequential, pre-numbered receipts for donations, especially monies collected at the care centers given the decentralized nature of these collections. We encourage Veterans Services and the Foundation to consider these recommendations to strengthen procedures over donation collections.

FOUNDATION HIGHLIGHTS

The Foundation raises funds to support various Commonwealth administered programs for veterans. Donations are collected at various sites, including the Department of Veterans Services and their two veterans care centers. These funds are used to support various veterans program, as directed by the donors when this is applicable. Veterans Services provides administrative support for the Foundation and the following table summarizes financial activity for the Foundation for calendar year 2016.

Foundation Financial Activity Calendar Year 2016

Beginning balance, January 1, 2016*	\$1,556,722
Revenues:	
Donations	432,635
Interest	<u>12,886</u>
Total Revenues	<u>445,521</u>
Expenses:	
Virginia Veteran and Family Support Program	399,119
Veterans Care Center Operations	102,561
Virginia Transition Assistance Program	74,986
Other	<u>3,461</u>
Total Expenses	<u>580,127</u>
Ending balance, December 31, 2016	<u>\$1,422,116</u>

*The beginning balance is adjusted from our prior report to include Foundation funds maintained at the care centers.

Source: Commonwealth's accounting and financial reporting system

Currently, the Foundation's financial activity is recorded in a separate fund within Veterans Services; however, based on legislation passed in the 2017 General Assembly session, the Foundation will become a separate entity within the Veterans and Defense Affairs Secretariat effective July 1, 2017. With this change, the Foundation's financial activity will be recorded in a discrete agency with its own appropriation. The Foundation and Veterans Services' staff are currently evaluating changes in operations that will be needed based on this new structure.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 26, 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 accounts of the **Veterans Services Foundation** (Foundation) for the calendar year ended December 31, 2016. The Foundation receives administrative and other services from the Virginia Department of Veterans Services. 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

The audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth's accounting and financial reporting system; review the adequacy of the Foundation's internal controls; test compliance with applicable laws, regulations, and contracts; and review correction action of the audit finding from the prior year report.

Audit Scope and Methodology

Management has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, and contracts. 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, and contracts.

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 Foundation's revenues and expenses.

We performed audit tests to determine whether 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 and contracts as they pertain to our audit objectives. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and observation of the Foundation's operations. We performed analytical procedures, including trend analysis. We also tested details of transactions to achieve our objectives. Our audit of the Foundation did not include controls and fiscal operations of Veterans Services that did not support services provided to the Foundation.

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 Veterans Services properly stated, in all material respects, the amounts recorded and reported in the Commonwealth's accounting and financial reporting system for the Foundation. The financial information presented in this report came directly from the Commonwealth's accounting and financial reporting system.

We noted one matter involving internal control and its operation that we consider necessary to be reported to management. This matter is described in the section entitled "Audit Finding and Recommendation." The results of our tests of compliance with applicable laws, regulations and contracts disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

We found limited corrective action had been taken on the prior year finding and this finding is repeated in the section entitled "Audit Finding and Recommendation."

Exit Conference and Report Distribution

We discussed this report with management on June 19, 2017. Management's response to the finding identified in our audit is included in the section titled "Foundation Response." We did not audit management's response and, accordingly, we express no opinion on it.

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



COMMONWEALTH of VIRGINIA
Veterans Services Foundation

June 27, 2017

Martha S. Mavredes
Auditor of Public Accounts
P. O. Box 1295
Richmond, Virginia 23218

Dear Ms. Mavredes:

We have reviewed your audit report for the Veterans Services Foundation for the calendar year ended December 31, 2016. We appreciate the acknowledgment of proper recording and reporting of transactions, in all material respects, in the Commonwealth's accounting and financial reporting system.

We concur with your findings and recommendations with regard to the one matter involving internal control.

Corrective action has already been taken to prevent future occurrences of this audit finding.

We will file the required corrective action plan with the State Comptroller within 30 days of receipt of our official APA audit report. We thank you and your staff for your review and the assistance you have provided us.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Davidson".

Tammy L. Davidson
Treasurer/Fiscal Officer

VETERAN'S SERVICES FOUNDATION

As of December 31, 2016

Pat Webb
Board Chairman

Frank Driscoll
Chair of the Finance Committee

Frank Finelli
Chair of the Development Committee

Jack Hilgers
Executive Director

Karla Boughey
Secretary for the Veterans Services Foundation
and
Director of Development for the Department of Veterans Services

Tammy Davidson
Treasurer for the Veterans Services Foundation
and
Director of Finance for the Department of Veterans Services

John L. Newby, II
Ex-Officio Voting Trustee for the Veterans Services Foundation
and
Commissioner for the Department of Veterans Services