

**VIRGINIA BIOTECHNOLOGY  
RESEARCH PARTNERSHIP AUTHORITY**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2009**

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***APA***

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**Auditor of  
Public Accounts**

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**COMMONWEALTH OF VIRGINIA**

## **AUDIT SUMMARY**

Our audit of the Virginia BioTechnology Research Partnership Authority (Authority) for the year ended June 30, 2009, found:

- the financial statements are presented fairly, in all material respects;
- an internal control matter that requires management's attention and corrective action; this is located in the "Internal Control Finding and Recommendation" section of this report; and
- no instances of noncompliance with material laws and regulations or other matters that are required to be reported.

We have audited the basic financial statements of the Authority as of and for the year ended June 30, 2009, and issued our report thereon, dated December 3, 2009. Our report, included in the Authority's Annual Report 2009, is anticipated to be issued on or around December 7, 2009, and will be available at the Auditor of Public Accounts website at [www.apa.virginia.gov](http://www.apa.virginia.gov) and at the Authority's website at <http://vabiotech.com/>.

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## Internal Control Finding and Recommendation

### Improve Financial Reporting Process

The 2005 Acts of Assembly, chapter 788 section 17.C. states that “The Authority shall submit an annual report to the Governor and General Assembly on or before November 1 of each year. Such report shall contain the audited annual financial statements of the Authority for the year ending the preceding June 30.” In addition, the Department of Accounts (DOA) establishes year end component unit reporting deadlines, which the Authority did not meet. While the Authority showed significant improvement in this area from last year, it still does not have a reasonable plan to fully achieve the required financial reporting deadlines.

Deadlines are difficult to meet even with full staffing of the fiscal positions. Due to the small size of the Authority and the accounting expertise being limited to one individual, the workload for preparing and reviewing these statements primarily rests with one position, the Financial Manager. Further, new activities, such as loan refinancing or researching and resolving potential tax liabilities, strain the fiscal staff’s ability to meet deadlines.

Such new activities are reflective of the ever changing environment that represents the nature of the Authority’s operations. During peak times when new activities occur, the Financial Manager’s role expands in researching, preparing and reviewing the accounting for and reflecting this information in the financial reports. This increased role by one position limits that position’s ability to meet year-end reporting deadlines.

The Authority needs to realign and schedule the preparation of the basic financial statements to meet the November 1 and DOA deadlines. Therefore, we recommend that the annual report, including the management discussion and analysis, the three financial statements, and notes to the statements, as well as the DOA attachments be prepared and ready for audit review beginning the first week of September.

Should the Authority need to collect and review additional financial data for the financial statements, these activities would not delay the overall financial reporting process with a realigned work schedule. While the auditors perform on-site field work during September, the Financial Manager can research and evaluate any new or unusual activities and, therefore have by the first week of October, a finalized report along with the DOA attachments. Also, the Financial Manager has discussed with the auditor the use of estimates in preparing the financial statements, and we encourage her to look for ways to use estimates to enable the statements to be completed timely. When estimates are used, however, the Finance Manager will need to modify such estimates, if she becomes aware of significant changes during the audit process.

In addition, management should look for ways that other positions at the Authority, such as the Accountant and Vice President of Administration, can assist the Financial Manager during the year-end reporting process. Finally, any non-crucial functions requested of or typically performed by the Financial Manager should be postponed during this cycle or reassigned temporarily to other staff.



# Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

December 3, 2009

The Honorable Timothy M. Kaine  
Governor of Virginia

The Honorable M. Kirkland Cox  
Chairman, Joint Legislative Audit  
and Review Commission

Board Members  
Virginia BioTechnology Research Partnership Authority Board  
Virginia BioTechnology Research Park Corporation Board

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited the financial statements of the **Virginia BioTechnology Research Partnership Authority** as of and for the year ended June 30, 2009, and have issued our report thereon dated December 3, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in preceding paragraph and would not necessarily identify all deficiencies in internal

control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency entitled "Improve Financial Reporting Process", which is described in the section titled "Internal Control Finding and Recommendation", to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Authority's response to the finding identified in our audit is included in the section titled "Agency Response." We did not audit the Authority's response and, accordingly, we express no opinion on it.

### Status of Prior Findings

The Authority has not taken adequate corrective action with respect to the previously reported finding "Improve Fiscal Operations". Accordingly, we incorporated the unresolved

issues from this finding in the current finding entitled “Improve Financial Reporting Process” in the section entitled “Internal Control Finding and Recommendation.”

#### Report Distribution and Exit Conference

The “Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters” is intended solely for the information and use of the Governor and General Assembly of Virginia, the Authority’s Board and management, and is not intended to be and should not be used by anyone, other than these specified parties. However, this report is a matter of public record and its distribution is not limited.


We discussed this report with management at an exit conference held on December 7, 2009.

AUDITOR OF PUBLIC ACCOUNTS

MSM/clj

**MEMORANDUM**

**TO:** Martha Mavredes, Deputy Auditor of Public Accounts  
Anne Sorensen, APA In-Charge

**FROM:** Robert T. Skunda, Executive Director 

**DATE:** December 8, 2009

**SUBJECT:** APA Audit for Year Ending June 30, 2009

**TITLE:** Internal Control Finding and Recommendation

This memorandum is in response to the Internal Control Finding and Recommendation regarding compliance with the November 1 statutory reporting requirement contained in the original 1993 Acts of Assembly, Chapter 946, and subsequent amendments in 2002 and 2005. The finding notes that the Authority “lacks a plan for compliance with this deadline.” While acknowledging that this deadline was not met in completing the audit this year, it should be noted that this problem has existed continuously since the Authority was created. Further, the ability to comply with the deadline will require a change in the procedure and cooperation between the Authority and the APA, as well as approval by the Authority’s Board of Directors, either related to its meeting schedule and/or policy for releasing the audit prior to review by the Board.

Specifically, it should be noted:

- The conduct and schedule for this year’s audit was carried out specifically as planned and discussed by the APA and management at the September 23, 2009 entrance meeting. The goal of completing the plan for presentation to the Board at their regularly scheduled meeting on December 7, 2009 was agreed upon and became the basis for the work products, field work and review by the APA without regard to the November 1 deadline.
- The unusual and extenuating circumstances causing the delay in the completion of the Authority’s FY 2008 audit, caused by the serious illness of the Park’s Finance Manager, did not reoccur and this year’s audit was able to be completed in an orderly and timely manner, as it has in all prior years with the exception of FY 2008.
- The Park’s small staff size and limited resources have been acknowledged in the past. This is not likely to change, especially given that the Park receives no annual operating support from the Commonwealth. We have taken measures to provide back-up in the event of an extended absence caused by illness or other unforeseen occurrence, but because this involves using contract services which would have an unplanned budget impact, we would only do so when and if necessary.



December 8, 2009

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The Authority and Corporation Board meet quarterly. The normal meeting schedule which is published one year in advance calls for the regular meetings to take place in February, May, September and December of each year. In order for the APA and management to meet the November 1 deadline, one of the three possible changes outlined below must take place:

1. The annual audit must be completed and ready for presentation to the Board at their September meeting. This is unlikely to ever be possible since the timing of the meeting is typically less than ten weeks after the close of the fiscal year, and field work usually does not even begin until after Labor Day.
2. The Boards agree to change their meeting schedule to a different rotation that would require meeting in September and again in late October, which would mean under the current rotation, the next meeting would not occur until February. Alternatively, to maintain approximately three months between meetings, the annual meeting schedule would require meetings in late January, April, July and October. Traditionally, the ability to assemble a quorum during summer vacation months has deterred management from scheduling meetings in the June-August timeframe.
3. The Boards either agree to a special meeting in October, or more reasonably, are willing to let the audit be released as required under the statute by November 1, without first having it presented to the Board as a full body in a regularly scheduled meeting. This could be facilitated assuming the Finance and Audit Committee meets with the APA and management to receive the audit in late October, and upon "acceptance" of the audit report, it is distributed electronically to all members of the Authority and Corporation Boards prior to the release to the Governor and General Assembly.

These options were discussed before the Finance and Audit Committee and with the full Boards at their December 7, 2009 meeting. After discussion, following the process outlined under #3 above was unanimously ratified and will be followed going forward with the FY 2010 audit.

RTS/cef

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY

Eugene P. Trani, Chair

Patricia Bell Williams, Vice Chair

James E. Sheffield, Secretary

William H. Weirich, Treasurer

Robert T. Skunda, Executive Director

Patrick O. Gottschalk

Robert L. Jesse

Dwight C. Jones

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Samuel B. Hunter, Secretary

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