



OFFICE OF THE GOVERNOR

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2013**

AUDIT SUMMARY

Our audit of the Office of the Governor for the year ended June 30, 2013, 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 operation 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 BACKGROUND AND FINANCIAL INFORMATION

The Governor has responsibility for managing the executive branch of the government, serving as Chief of State, and acting as the Commander-in-Chief of the Virginia National Guard. The Division of Selected Agency Support Services in the Office of the Secretary of Administration provides administrative support to the Governor's Office.

The Governor's Office (Office) receives most of its funding through General Fund appropriations. The schedule below summarizes budget and actual activity for the last two years.

Budget Analysis for Fiscal Years 2012-2013

	<u>2013</u>	<u>2012</u>
Original budget	\$4,514,002	\$4,466,366
Final budget	\$4,755,847	\$4,710,816
Actual expenses	\$4,231,559	\$4,188,485

The following schedule includes the detail adjustments to the Office's appropriations as well as a detailed breakdown of expenses. The majority of the expenses of the Office are payroll and fringe benefit expenses.

Budget and Expense Analysis for Fiscal Year 2013

Original appropriations per Chapter 806	\$4,514,002
Adjustments:	
Transfer from Central Appropriations for salary and benefit changes, and other amounts	150,933
Provide support for family re-integration position from the Department of Social Services	<u>90,912</u>
Total adjusted appropriations	<u>4,755,847</u>
Expenses:	
Personal services	3,428,885
Continuous charges	374,706
Contractual services	280,398
Supplies and materials	137,264
Property and equipment	9,613
Transfer payments	<u>693</u>
Total expenses	<u>4,231,559</u>
Unexpended balance	<u>\$ 524,288</u>

The Office receives its funding and records transactions under four separate programs, the largest of which is Administrative and Support Services. The Administrative and Support Services Program includes most of the operations of the Office as shown in the following table. Funding for the other programs are discussed in more detail below.

Budget and Expense Analysis for Fiscal Year 2013 by Program

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>
Administrative and Support Services	\$3,606,623	\$3,848,468	\$3,521,739
Historic and Commemorative Attraction Management	443,979	443,979	441,274
Governmental Affairs Services	<u>463,400</u>	<u>463,400</u>	<u>268,546</u>
Total	<u>\$4,514,002</u>	<u>\$4,755,847</u>	<u>\$4,231,559</u>

Historic and Commemorative Attraction Management

This program covers the costs of operating the Executive Mansion. The majority of expenses under this program are payroll expenses for staff at the Executive Mansion. These payroll expenses totaled approximately \$312,474 in 2013.

Governmental Affairs Services

Under this program, staff track federal legislation and pronouncements on behalf of the Commonwealth of Virginia. This keeps the Commonwealth and its localities informed of any actions that may affect either entity. This program receives both General Fund appropriations and some Commonwealth Transportation funds. The majority of expenses are personnel costs, which totaled approximately \$235,516 in 2013.

Disaster Planning and Operation

In addition to the programs listed above, the Office also receives a “sum sufficient” General Fund appropriation under the Disaster Planning and Operation program. In any given year, various natural disasters can strike Virginia, resulting in the Governor declaring numerous localities as disaster areas. To address damage and recovery from the disasters, the Department of Emergency Management requests and receives General Fund appropriations from the Disaster Planning and Operation program. The Appropriation Act originally includes these funds in Central Appropriations, which the Governor authorizes and then transfers to the Department of Emergency Management. There were no transfers to the Department of Emergency Management in response to disasters in 2013.



Commonwealth of Virginia

Auditor of Public Accounts

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September 20, 2013

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable John M. O'Bannon, III
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Office of the Governor** for the year ended June 30, 2013. 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

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

Audit Scope and Methodology

The Office'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, regulations, contracts and grant agreements.

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 following significant cycles, classes of transactions, and account balances.

- Expenses, including payroll
- Small purchase charge card
- Appropriations

We performed audit tests to determine whether the Office'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, regulations, contracts and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Office's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that the Office properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Office 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, regulations, contracts and grant agreements 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 September 24, 2013.

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

AVG/clj

OFFICE OF THE GOVERNOR

As of June 30, 2013

Robert F. McDonnell, Governor

DIVISION OF SELECTED AGENCY SUPPORT SERVICES

Dennis M. Johnson, Director