

OFFICE OF THE GOVERNOR

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2010**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Office of the Governor for the year ended June 30, 2010, 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 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. The decrease in the original budget from 2009 to 2010 is due to budget reductions of approximately \$950 thousand for the Governor's Office and the Cabinet Secretaries, which are all reflected in the budget for the Governor's Office for 2010. The Governor's Office carried forward its 2009 unexpended General Fund cash balances to offset its fiscal 2010 budget reductions.

Budget Analysis for Fiscal Years 2009-2010

	2009	2010
Original budget	\$4,930,515	\$3,986,762
Final budget	\$5,205,902	\$4,906,731
Actual expenses	\$4,416,824	\$4,712,371

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. There was an increase in expenses in 2010 primarily for the payment of rent for 2011.

Budget and Expense Analysis for Fiscal Year 2010

Original appropriations per Chapter 781	<u>\$3,986,762</u>
Adjustments:	
Re-appropriation of prior year's unexpended balance	354,522
Adjustment for Workforce Transaction Act expenses	270,851
Transfer from Central Appropriations for payments for special or unanticipated expenses	29,837
Additional budget reductions in Chapter 872 for the Governor's Office and Cabinet Secretaries	(1,319,316)
Transfers from Cabinet Secretaries' offices to offset budget reductions recorded in Chapters 781 and 872	1,721,595
Adjustment for state employee furlough and suspension of employee benefit and retirement contribution payments	(89,603)
Adjustment for changes in employee benefits costs	<u>(47,917)</u>
Total adjusted appropriations	<u>4,906,731</u>
Expenses:	
Personal services	3,582,979
Continuous charges	621,948
Contractual services	336,562
Supplies and materials	149,579
Property and equipment	17,233
Transfer payments	<u>4,070</u>
Total expenses	<u>\$4,712,371</u>
Unexpended balance	<u>\$ 194,360</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; however, the Office does receive funding for two other programs discussed in more detail below. The Executive Management Program line item represents budget reductions reflected in Chapter 781 of the *2009 Acts of the Assembly* for the Office of the Governor and the Cabinet Secretaries.

Budget and Expense Analysis for Fiscal Year 2010 by Program

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>
Administrative and Support Services	\$4,017,496	\$3,925,914	\$3,759,452
Historic and Commemorative Attraction Management	452,584	496,592	496,487
Governmental Affairs Services	460,435	484,225	456,432
Executive Management	<u>(943,753)</u>	<u>-</u>	<u>-</u>
Total	<u>\$3,986,762</u>	<u>\$4,906,731</u>	<u>\$4,712,371</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 four employees on staff at the Executive Mansion. These payroll expenses totaled approximately \$377,081 in 2010.

Governmental Affairs Services

Under this program, formerly the Virginia Liaison Office, 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 \$343,281 in 2010.

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.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

September 2, 2010

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
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, 2010. 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 and regulations.

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 and regulations.

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
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 and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, 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 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 September 2, 2010.

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

SAH:clj

OFFICE OF THE GOVERNOR

As of June 30, 2010

Robert F. McDonnell, Governor

DIVISION OF SELECTED AGENCY SUPPORT SERVICES

Dennis M. Johnson, Director