



## **GOVERNOR'S CABINET SECRETARIES**

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

## **AUDIT SUMMARY**

Our audit of the Governor's Cabinet Secretaries 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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## FINANCIAL INFORMATION BY CABINET SECRETARY

### Introduction

The audit of the Governor’s Cabinet Secretaries covers the agencies listed below. The Secretary of Administration’s Division of Selected Agency Support Services provides administrative support for the Cabinet Secretaries’ operations.

Secretary of Administration	Secretary of Natural Resources
Secretary of Agriculture and Forestry	Secretary of Public Safety
Secretary of Commerce and Trade	Secretary of Technology
Secretary of Education	Secretary of Transportation
Secretary of Finance	Secretary of Veterans Affairs and Homeland Security
Secretary of Health and Human Resources	

While most Cabinet Secretaries receive the majority of their funding through an appropriation from the General Fund of the Commonwealth, some Secretaries also receive various special revenue funds, which we discuss in further detail throughout this report.

The following table summarizes the budget and expenses for each Secretary.

### Budget and Expense Summary for Fiscal Year 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>
Secretary of Administration	\$1,060,567	\$1,105,074	\$1,079,283
Secretary of Agriculture and Forestry	344,234	381,643	380,626
Secretary of Commerce and Trade	631,721	656,406	608,632
Secretary of Education	1,206,508	1,255,506	863,004
Secretary of Finance	424,910	526,124	524,587
Secretary of Health and Human Resources	640,213	901,690	881,961
Secretary of Natural Resources	627,585	656,167	634,019
Secretary of Public Safety	555,480	756,341	735,455
Secretary of Technology	495,286	516,020	512,420
Secretary of Transportation	814,573	833,497	833,199
Secretary of Veterans Affairs and Homeland Security	<u>1,368,051</u>	<u>1,393,446</u>	<u>1,240,309</u>
Total	<u>\$8,169,128</u>	<u>\$8,981,914</u>	<u>\$8,293,495</u>

The report has a section for each Secretary that summarizes the purpose and funding of each of the Secretaries listed in the table above. The format of the information will vary based on the Secretaries’ funding sources and their responsibilities.

Secretary of Administration

The Secretary assists the Governor with the management and direction of the administration of state government. Within the Office of the Secretary of Administration is the Division of Selected Agency Support Services. The Division provides financial and administrative support to:

Office of the Governor	Citizens Advisory Committee
Office of the Lieutenant Governor	Interstate Organization Contributions
Governor's Cabinet Secretaries	Virginia-Israel Advisory Board

The Secretary receives General Fund appropriations to fund office operations. The following tables summarize the budget and expenses for fiscal years 2012 and 2013.

Financial Summary for Fiscal Years 2012 and 2013

	<u>2012</u>	<u>2013</u>
Original budget	\$1,050,376	\$1,060,567
Final budget	\$1,076,367	\$1,105,074
Actual expenses	\$1,051,553	\$1,079,283

Budget and Expense Analysis for Fiscal Year 2013

Original appropriations	\$1,060,567
Adjustments:	
Transfer from Central Appropriations for salary and benefit changes, and other amounts	<u>44,507</u>
Total adjusted appropriations	<u>1,105,074</u>
Expenses:	
Personal services	963,495
Continuous charges	63,096
Supplies and materials	35,779
Contractual services	15,109
Equipment	1,467
Transfer payments	<u>337</u>
Total expenses	<u>1,079,283</u>
Unexpended balance	<u>\$ 25,791</u>

Secretary of Agriculture and Forestry

This Secretary provides policy guidance and direction on the conservation, protection, and development of Virginia's agricultural and forest resources, as well as consumer protection. The Secretary also oversees the Virginia Department of Agriculture and Consumer Services, the Department of Forestry, and the Virginia Agricultural Council.

The Secretary receives General Fund appropriations to fund office operations. The following tables summarize the budget and expenses for fiscal years 2012 and 2013.

Financial Summary for Fiscal Years 2012 and 2013

	<u>2012</u>	<u>2013</u>
Original budget	\$340,384	\$344,234
Final budget	\$385,150	\$381,643
Actual expenses	\$335,256	\$380,626

Budget and Expense Analysis for Fiscal Year 2013

Original appropriations	\$344,234
Adjustments:	
Re-appropriation of prior year's unexpended balance	25,000
Transfer from Central Appropriations for employee bonus and benefit changes, and other amounts	<u>12,409</u>
Total adjusted appropriations	<u>381,643</u>
Expenses:	
Personal services	257,944
Contractual services	106,354
Continuous charges	13,476
Supplies and materials	2,692
Transfer payments	<u>160</u>
Total expenses	<u>380,626</u>
Unexpended balance	<u>\$ 1,017</u>

Secretary of Commerce and Trade

The Secretary acts on behalf of the Governor in the management and direction of commerce and trade agencies to perform program coordination, policy planning, and budget formation activities. The Secretary receives General Fund appropriations to fund office operations. The following tables summarize the General Fund operating budget and expenses for fiscal years 2012 and 2013.

Financial Summary for Fiscal Years 2012 and 2013

	<u>2012</u>	<u>2013</u>
Original budget	\$624,806	\$631,721
Final budget	\$659,000	\$656,406
Actual expenditures	\$569,636	\$608,632

Budget and Expense Analysis for Fiscal Year 2013

Original appropriations	\$631,721
Adjustments:	
Transfer from Central Appropriations for salary and benefit changes, and other amounts	<u>24,685</u>
Total adjusted appropriations	<u>\$656,406</u>
Expenses:	
Personal services	537,905
Continuous charges	39,036
Contractual services	27,108
Equipment	2,614
Supplies and materials	<u>1,969</u>
Total expenses	<u>608,632</u>
Unexpended balance	<u>\$ 47,774</u>

In addition to the appropriations to fund office operations, the Secretary of Commerce and Trade received General and non-general fund appropriations for economic development incentive payments to various grants as required by the Appropriation Act, which are highlighted in the table below. Approximately 92 percent of the grants shown in the table were funded with General Funds and the remainder with non-general funds.

Summary of Grants Disbursed Through the Secretary of Commerce and Trade

Grant Name	Amount Funded	Amount Disbursed	Code of Virginia Section
Governor's Development Opportunity Fund <sup>(A)</sup>	\$10,811,055	\$8,309,602	§2.2-115
Virginia Investment Partnership Grant Fund	2,652,329	1,957,329	§2.2-5101
Governor's Motion Picture Opportunity Fund <sup>(B)</sup>	3,375,000	750,000	§2.2-2320
Semiconductor Memory or Logic Wafer Manufacturing Performance Grant Fund	5,400,000	5,400,000	§59.1-284.14
Commonwealth Research Commercialization Fund	2,544,229	2,544,229	§2.2-2233.1
Major Employment Investment Grant	5,000,000	5,000,000	§2.2-2240.2
Virginia University Research Partnership*	1,000,000	1,000,000	§2.2-2240.1
Advanced Shipbuilding Training Facility Fund*	5,000,000	5,000,000	§59.1-284.23
Grant for Washington Redskins Pro Football Training Camp <sup>(C)</sup>	3,000,000	3,000,000	N/A
<b>Total</b>	<b>\$38,782,613</b>	<b>\$32,961,160</b>	

\*Represents new grants in fiscal year 2013

(A) Discussed in further detail in paragraphs below

(B) Motion Picture Fund also received \$155,809 in revenues generated by a digital media fee

(C) Remaining installment of \$4 million grant to provide an incentive for the Washington Redskins to maintain practice facilities in Virginia authorized by a decision brief by the Governor

Governor's Development Opportunity Fund

The Governor's Development Opportunity Fund (the Opportunity Fund) provides funds to attract economic development prospects and secure the expansion of existing industry in the Commonwealth. The Opportunity Fund receives a General Fund appropriation through the Secretary of Commerce and Trade, which allows the Governor to make grants to qualifying companies. These grants are contingent on the company meeting certain criteria required under the Code of Virginia, such as the creation of a certain number of jobs.

Several entities are involved in the process of awarding grants from the Opportunity Fund including the Virginia Economic Development Partnership (VEDP), the Secretary, and the Governor. VEDP conducts the initial reviews of the proposals for grants from the Opportunity Fund and the grants are subject to approval by the Secretary and the Governor.

Once the Governor has approved a grant or loan, the company will request the funds and the Opportunity Fund will disburse the monies to the locality, who then pays the funds to the company. The company has three years within which to meet the conditions of the grant. If it does not meet the terms of the grant, the company must return the funds to the Opportunity Fund. The following table summarizes activity in the Opportunity Fund for the last three fiscal years.

*Summary of Opportunity Fund Activity (2011 – 2013)*

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Beginning cash balance	\$31,089,017	\$45,027,097	\$41,610,207
Transfer in General Funds	23,911,055	11,811,055	10,811,055
Transfer out General Funds	-	(6,000,000)	(5,000,000)
Amount repaid by companies	621,025	4,272,055	278,229
Payments to localities/companies	<u>(10,594,000)</u>	<u>(13,500,000)</u>	<u>(8,309,602)</u>
Ending cash balance	<u>\$45,027,097</u>	<u>\$41,610,207</u>	<u>\$39,389,889</u>

Over the last several years, the Opportunity Fund has accumulated a cash balance; as of June 30, 2013, the Fund had a cash balance of \$39.4 million. Of this balance amount, approximately \$12.5 million represents funds committed to various companies but not yet paid, and \$22.3 million represents legal offers made to various companies where the company has not yet accepted or finalized the offer.

The cash balance is a result of the Commonwealth’s funding approach of the Opportunity Fund, which the Code of Virginia requires. The Code of Virginia requires that the Governor cannot make future commitments unless the fund has a balance sufficient to pay them. Therefore, the Governor and the General Assembly must transfer funding into the Opportunity Fund before the Governor can make offers and commitments. Additionally, there is often a time lag of several years from the time when the Commonwealth makes its first commitment to the time when there is a requirement to make a payment.

Secretary of Education

The Secretary acts on behalf of the Governor in the management and direction of educational agencies and performs program coordination, policy planning, and budget formulation activities. In fiscal year 2011 the Secretary's office began administering funding for the Virginia Public Broadcasting Board (VPBB), which served as a conduit of state financial support of public radio and television stations. In fiscal year 2013, funding for the Virginia public broadcasting services was eliminated, which resulted in an approximately \$3.5 million decrease in the Secretary of Education's appropriations and expenditures from the prior year. The Secretary of Education receives funding primarily from General Fund appropriations. The following tables summarize the General Fund operating budget and expenses for fiscal years 2012 and 2013.

Financial Summary for Fiscal Years 2012 and 2013

	<u>2012</u>	<u>2013</u>
Original budget	\$4,804,349	\$1,206,508
Final budget	\$4,848,053	\$1,255,506
Actual expenses	\$4,205,665	\$ 863,004

Budget and Expense Analysis for Fiscal Year 2013

Original appropriations	\$1,206,508
Adjustments:	
Re-appropriation of prior year's unexpended balance	35,000
Transfer to Central Appropriations for employee bonus and benefit changes, and other amounts	23,998
Transfer of reappropriated General Fund balance to Secretary of Finance to support operating costs	<u>(10,000)</u>
Total adjusted appropriations	<u>1,255,506</u>
Expenses:	
Personal services	542,135
Contractual services	287,033
Continuous charges	27,358
Transfer payments	2,549
Supplies and materials	2,231
Equipment	<u>1,698</u>
Total expenses	<u>863,004</u>
Unexpended balance	<u>\$ 392,502</u>

Secretary of Finance

The Secretary acts on behalf of the Governor in the management and direction of the finance agencies and performs program coordination, policy planning, and budget formulation activities. The Secretary of Finance receives General Fund appropriations to fund office operations. The Secretary also received \$75,000 from the Secretary of Commerce and Trade and \$10,000 from the Secretary of Education to fund a vacant gubernatorial appointee Assistant Secretary position filled during fiscal year 2012, which was not funded in the original budget. The following tables summarize the budget and expenses for fiscal years 2012 and 2013.

Financial Summary for Fiscal Years 2012 and 2013

	<u>2012</u>	<u>2013</u>
Original budget	\$420,423	\$424,910
Final budget	\$496,508	\$526,124
Actual expenses	\$494,618	\$524,587

Budget and Expense Analysis for Fiscal Year 2013

Original appropriations	\$424,910
Adjustments:	
Transfers from the Secretary of Commerce and Trade to support operations	75,000
Transfer from Central Appropriations for employee bonus and benefit changes, and other amounts	16,214
Transfer from the Secretary of Education to support operations	<u>10,000</u>
Total adjusted appropriations	<u>526,124</u>
Expenses:	
Personal services	492,546
Continuous charges	23,685
Contractual services	7,150
Supplies and materials	<u>1,206</u>
Total expenses	<u>524,587</u>
Unexpended balance	<u>\$ 1,537</u>

Secretary of Health and Human Resources

The Secretary acts on behalf of the Governor in the management and direction of health and human resource agencies and provides program coordination, policy planning, and budget formulation activities. The Secretary primarily receives General Fund appropriations to fund office operations. The original budget for fiscal year 2012 included \$846,000 to fund child advocacy center initiatives and \$580,118 for a performance audit by an independent contractor, which were transferred to the Department of Social Services by an appropriation adjustment, resulting in the \$1.5 million variance in the original budget between fiscal years 2012 and 2013. In fiscal year 2013 a new Homeless Coordinator position was created and funded through a special revenue fund appropriation. The following tables summarize budget and expenses for fiscal years 2012 and 2013.

Financial Summary for Fiscal Years 2012 and 2013

	<u>2012</u>	<u>2013</u>
Original budget	\$2,180,700	\$640,213
Final budget	\$ 783,605	\$901,690
Actual expenses	\$ 660,199	\$881,961

Budget and Expense Analysis for Fiscal Year 2013

Original appropriations	\$640,213
Adjustments:	
Appropriation of homelessness prevention and services grant funds for coordinator position	215,000
Reappropriation of prior year's unexpended non-general fund balance	119,782
Transfer of homelessness prevention and services grant funds to cover related expenses administered by the Department of Housing and Community Development	(104,843)
Transfer from Central Appropriations for employee bonus and benefit changes, and other amounts	<u>31,538</u>
Total adjusted appropriations	<u>901,690</u>
Expenses:	
Personal services	804,355
Continuous charges	58,228
Contractual services	15,756
Equipment	2,077
Supplies and materials	<u>1,545</u>
Total expenses	<u>881,961</u>
Unexpended balance	<u>\$ 19,729</u>

Secretary of Natural Resources

The Secretary acts on behalf of the Governor in the management and direction of natural resource agencies and provides program coordination, policy planning, and budget formulation activities. The Secretary primarily receives General Fund appropriations to fund office operations. The Secretary also has an agreement with the Department of Conservation and Recreation to receive \$100,000 in federal funds each year to support funding the Deputy Secretary position established to lead the Commonwealth's Chesapeake Bay restoration efforts.

The following tables summarize the budget and expenses for fiscal years 2012 and 2013.

Financial Summary for Fiscal Years 2012 and 2013

	<u>2012</u>	<u>2013</u>
Original budget	\$691,029	\$627,585
Final budget	\$803,599	\$656,167
Actual expenses	\$756,548	\$634,019

Budget and Expense Analysis for Fiscal Year 2013

Original appropriations	\$627,585
Adjustments:	
Reappropriation of prior year unexpended General Fund balance	47,051
Transfer of funds to the Marine Resources Commission for the Tangier Seawall Project	(47,051)
Transfer from Central Appropriations for employee bonus and benefit changes, and other amounts	<u>28,582</u>
Total adjusted appropriations	<u>656,167</u>
Expenses:	
Personal services	576,120
Continuous charges	34,583
Contractual services	22,656
Supplies and materials	<u>660</u>
Total expenses	<u>634,019</u>
Unexpended balance	<u>\$ 22,148</u>

The Secretary is also responsible for managing the Chesapeake Bay Restoration Contribution fund. This fund receives a transfer from the Department of Taxation quarterly with voluntary contributions made by citizens of the Commonwealth. State agencies then submit requests to receive money for Chesapeake Bay restoration projects. After approval by both the Secretary and the Department of Planning and Budget, the Secretary transfers cash to the requesting state agency.

During fiscal year 2013, the Department of Conservation and Recreation received \$100,000 and the Marine Resource Commission received \$75,000. This fund now has a fund balance of \$499,354 remaining for future projects.

Secretary of Public Safety

The Secretary acts on behalf of the Governor in the management and direction of public safety agencies and provides program coordination, policy planning, and budget formulation activities. The Secretary receives General Fund appropriations to fund office operations. The following tables summarize the budget and expenses for fiscal years 2012 and 2013.

Financial Summary for Fiscal Years 2012 and 2013

	<u>2012</u>	<u>2013</u>
Original budget	\$548,664	\$555,480
Final budget	\$763,284	\$756,341
Actual expenses	\$673,553	\$735,455

Budget and Expense Analysis for Fiscal Year 2013

Original appropriations	\$555,480
Adjustments:	
Transfer from Department of Corrections to fund Coordinator of Offender Re-entry position	150,000
Transfer from Central Appropriations for employee bonus and benefit changes, and other amounts	25,861
Reappropriation of prior year's unexpended General Fund balance	<u>25,000</u>
Total adjusted appropriations	<u>756,341</u>
Expenses:	
Personal services	659,408
Continuous charges	51,766
Contractual services	20,353
Supplies and materials	3,480
Equipment	308
Transfer payments	<u>140</u>
Total expenses	<u>735,455</u>
Unexpended balance	<u>\$ 20,886</u>

Secretary of Technology

The Secretary develops, monitors, and directs the Commonwealth's technology strategy and assists in technology-based innovation and economic development. The Secretary oversees two agencies: Virginia's Center for Innovative Technology and the Virginia Information Technologies Agency (VITA).

The Secretary receives General Fund appropriations to fund office operations. The following tables summarize the budget and expenses for fiscal years 2012 and 2013.

Financial Summary for Fiscal Years 2012 and 2013

	<u>2012</u>	<u>2013</u>
Original budget	\$ 490,271	\$ 495,286
Final budget	\$ 641,083	\$ 516,020
Actual expenses	\$ 607,301	\$ 512,420

Budget and Expense Analysis for Fiscal Year 2013

Original appropriations	\$495,286
Adjustments:	
Transfer from Central Appropriations for employee bonus and benefit changes, and other amounts	<u>20,734</u>
Total adjusted appropriations	<u>516,020</u>
Expenses:	
Personal services	452,708
Contractual services	30,613
Continuous charges	28,558
Supplies and materials	<u>541</u>
Total expenses	<u>512,420</u>
Unexpended balance	<u>\$ 3,600</u>

Secretary of Transportation

The Secretary acts on behalf of the Governor in the management and direction of the transportation agencies and provides program coordination, policy planning, and budget formulation activities. The Secretary receives all operating funds directly from the Transportation Trust Funds. The following tables summarize the budget and expenses for fiscal years 2012 and 2013.

Financial Summary for Fiscal Years 2012 and 2013

	<u>2012</u>	<u>2013</u>
Original budget	\$799,426	\$814,573
Final budget	\$809,426	\$833,497
Actual expenses	\$809,357	\$833,199

Budget and Expense Analysis for Fiscal Year 2013

Original appropriations	\$814,573
Adjustments:	
Transfer from Central Appropriations for employee bonus and benefit changes and other amounts	<u>18,924</u>
Total adjusted appropriations	<u>833,497</u>
Expenses:	
Personal services	755,680
Continuous charges	34,483
Contractual services	33,084
Transfer payments	6,269
Supplies and materials	3,404
Equipment	249
Property and improvements	<u>30</u>
Total expenses	<u>833,199</u>
Unexpended balance	<u>\$ 298</u>

Secretary of Veterans Affairs and Homeland Security

The General Assembly passed legislation during the 2011 session creating the Secretary of Veterans Affairs and Homeland Security. As part of this legislation, activity that was previously reported under the Office of Commonwealth Preparedness is now organized under this Secretary along with the Department of Veterans Services and Virginia War Memorial.

The Secretary works with federal, state, and local officials, as well as the private sector, to develop a coordinated security and preparedness strategy and implementation plan. The Secretary serves as the liaison between the Governor and the federal government as well as local governments and first responders on emergency prevention, preparedness, response, and recovery issues. In addition, the Secretary monitors and enhances efforts to provide assistance and support to veterans living in the Commonwealth. The Secretary also promotes industrial and economic development of localities in or adjacent to United States government military and other national or Commonwealth defense activities.

The Secretary receives a General Fund appropriation and federal funds through the Department of Emergency Management. The following tables summarize the budget and expenses for fiscal years 2012 and 2013.

Financial Summary for Fiscal Years 2012 and 2013

	<u>2012</u>	<u>2013</u>
Original budget	\$1,241,376	\$1,368,051
Final budget	\$1,364,666	\$1,393,446
Actual expenses	\$1,233,943	\$1,240,309

Budget and Expense Analysis for Fiscal Year 2013

Original appropriations	\$1,368,051
Adjustments:	
Transfer from Central Appropriations for employee bonus and benefit changes, and other amounts	<u>25,395</u>
Total adjusted appropriations	<u>\$1,393,446</u>
Expenses:	
Personal services	1,111,736
Contractual services	68,829
Continuous charges	43,549
Supplies and materials	15,629
Equipment	536
Property and Improvements	<u>30</u>
Total expenses	<u>1,240,309</u>
Unexpended balance	<u>\$ 153,137</u>

In addition to the appropriations to fund office operations, the Secretary of Veterans Affairs also received General Fund appropriations and made grant payments related to the Oceana Naval Air

Station in Virginia Beach for needs associated with the 2005 Base Realignment and Closure Commission (BRAC) agreement. The Secretary's office received and disbursed \$7,399,815 in General Funds to the City of Virginia Beach for the Military Strategic Fund Response grant (MSRF). Additionally, the Secretary's office received and disbursed \$7,500,000 in General Funds to the City of Virginia Beach related to the Federal Action Contingency Trust Fund (FACT) grant. The FACT grant is a new grant in fiscal year 2013, and was created to help address the negative impact of potential federal budget actions, including assisting communities in implementing and responding to BRAC recommendations.



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

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 **Governor's Cabinet Secretaries**, as administered by the Division of Selected Agency Support Services, 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 Division's internal controls, test compliance with applicable laws, regulations, contracts and grant agreements.

## Audit Scope and Methodology

The Secretaries' 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
- Grant payments
- Revenues
- Appropriations

We performed audit tests to determine whether the divisions' 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, records, and observation of the Division's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

### Conclusions

We found that the Secretaries properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting. The Division 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

GOVERNOR'S CABINET SECRETARIES

As of June 30, 2013

Lisa Hicks-Thomas, Secretary of Administration

Todd P. Haymore, Secretary of Agriculture and Forestry

James S. Cheng, Secretary of Commerce and Trade

Laura W. Fornash, Secretary of Education

Richard D. Brown, Secretary of Finance

Dr. William A. Hazel, Jr., Secretary of Health and Human Resources

Douglas W. Domenech, Secretary of Natural Resources

Marla Graff Decker, Secretary of Public Safety

James D. Duffey, Jr., Secretary of Technology

Sean T. Connaughton, Secretary of Transportation

Terrie L. Suit, Secretary of Veterans Affairs and Homeland Security

DIVISION OF SELECTED AGENCY SUPPORT SERVICES

Dennis M. Johnson, Director