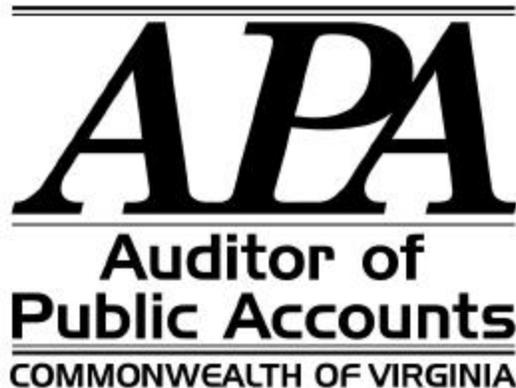


**GOVERNOR'S CABINET SECRETARIES
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2001**



AUDIT SUMMARY

Our audit of the Governor's Cabinet Secretaries for the year ended June 30, 2001, found:

- proper recording and reporting of transactions, in all material aspects, in the Commonwealth Accounting and Reporting System;
- no material weaknesses in internal controls; and
- no instances of noncompliance with applicable laws and regulations that are required to be reported.

AGENCY HIGHLIGHTS

The audit of the Governor's Cabinet Secretaries covers the following agencies:

Secretary of Administration,
Secretary of Commerce and Trade,
Secretary of Education,
Secretary of Finance,
Secretary of Health and Human Resources,
Secretary of Natural Resources,
Secretary of Public Safety,
Secretary of Technology, and
Secretary of Transportation.

The Cabinet Secretaries receive the majority of their funding through an appropriation of the General Fund of the Commonwealth. During the year, the Secretaries received routine appropriation adjustments. The following sections summarize the purpose and funding of each of the Secretaries.

Secretary of Administration

The Secretary assists the Governor with the management and direction of administration agencies in state government. Within the Office of the Secretary of Administration is the Division of Selected Agency Support Services. The Division provides the financial and administrative support to: the Governor's Office; Office of the Lieutenant Governor; Offices of the Governor's Secretaries; Office of the Secretary of the Commonwealth; Charitable Gaming Commission; Citizen's Advisory Committee; Commission on Virginia/Israel Advisory Board; Interstate Organization Contributions; Office for Substance Abuse Prevention; Virginia Liaison Office; Virginia Racing Commission; and Virginia Veterans Care Center Board of Trustees.

| | | |
|--|-----------------|------------------|
| Original appropriation | \$ 1,000,521 | |
| Adjustments: | | |
| Salary regrade | 14,643 | |
| Reappropriation of unexpended funds from prior year | 8,053 | |
| Health insurance premiums | 6,545 | |
| Deferred compensation match | 3,360 | |
| Group life insurance savings | (26) | |
| DIT savings | (208) | |
| Retiree health credit rate reduction | (3,001) | |
| Retirement contribution rate reduction | (7,338) | |
| Productivity savings | <u>(14,519)</u> | |
| Adjusted appropriations | | \$ 1,008,030 |
| Other resources: | | |
| Unappropriated special revenue fund balance, July 1, 2000 | 12,618 | |
| Miscellaneous special revenues | <u>17,329</u> | |
| Total other resources | | <u>29,947</u> |
| Total appropriations and resources | | 1,037,977 |
| Expenses: | | |
| Salaries and fringe benefits | 858,722 | |
| Supplies and materials | 18,892 | |
| Continuous charges | 85,206 | |
| Other | <u>15,271</u> | |
| Total expenses | | <u>978,091</u> |
| Unexpended balance | | <u>\$ 59,886</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 formulation activities.

| | | |
|---|----------------|-------------------|
| Original appropriation | \$ 618,051 | |
| Adjustments: | | |
| Reappropriation of unexpended funds from prior year | 9,624 | |
| Salary regrade | 6,408 | |
| Health insurance premiums | 4,175 | |
| Deferred compensation match | 2,400 | |
| Group life insurance savings | (1) | |
| Productivity savings | (78) | |
| DIT savings | (319) | |
| Retiree health credit rate reduction | (1,329) | |
| Retirement contribution rate reduction | <u>(3,670)</u> | |
| Adjusted appropriations | | \$ 635,261 |
| Other resources: | | |
| Miscellaneous special revenues | | <u>203,041</u> |
| Total appropriations and resources | | 838,302 |
| Expenses: | | |
| Salaries and fringe benefits | 543,643 | |
| Contractual services | 16,662 | |
| Transfer payments | 300 | |
| Continuous charges | 42,554 | |
| Other | <u>21,297</u> | |
| Total expenses | | <u>624,456</u> |
| Unexpended balance | | <u>\$ 213,846</u> |

The Secretary receives special revenue funding from the Governor's Opportunity Fund. The Opportunity Fund seeks to generate business within the Commonwealth through land development and site preparation. The Department of Business Assistance aids in the review of proposals for funding from the Opportunity Fund and the Secretary makes transfer payments to localities based on approved proposals.

| | | |
|--|------------------|----------------------|
| Opportunity Fund appropriation | | \$ 31,000,000 |
| Other resources: | | |
| Unappropriated opportunity fund balance, July 1, 2000 | \$ 14,815,154 | |
| Opportunity fund revenues | <u>2,471,468</u> | |
| Total other resources | | <u>17,286,622</u> |
| Total appropriations and resources | | 48,286,622 |
| Expenses: | | |
| Transfer payments | | <u>15,438,027</u> |
| Unexpended balance | | <u>\$ 32,848,595</u> |

Secretary of Education

The Secretary acts on behalf of the Governor in the management and direction of educational agencies, performing program coordination, policy planning, and budget formulation activities. The Secretary receives and distributes general fund appropriations and special revenue funds for the Virginia Business – Education Partnership; however, the Virginia Department of Education acts as the fiscal agent for the direct handling of these monies.

| | | |
|---|----------------|-------------------|
| Original appropriation | \$ 879,257 | |
| Adjustments: | | |
| Salary regrade | 8,662 | |
| Health insurance premiums | 3,170 | |
| Deferred compensation match | 960 | |
| Reappropriation of unexpended funds from prior year | 521 | |
| Group life insurance savings | (23) | |
| Productivity savings | (62) | |
| DIT savings | (251) | |
| Retiree health credit rate reduction | (1,787) | |
| Retirement contribution rate reduction | <u>(4,412)</u> | |
| Adjusted appropriations | | \$ 886,035 |
| Expenses: | | |
| Salaries and fringe benefits | 580,643 | |
| Contractual services | 25,859 | |
| Supplies and materials | 2,853 | |
| Continuous charges | 41,934 | |
| Other | <u>3,325</u> | |
| Total expenses | | <u>654,614</u> |
| Unexpended balance | | <u>\$ 231,421</u> |

Secretary of Finance

The Secretary acts on behalf of the Governor in the management and direction of finance agencies, performing program coordination, policy planning, and budget formulation activities.

| | | |
|---|----------------|------------------|
| Original appropriation | \$ 501,031 | |
| Adjustments: | | |
| Reappropriation of unexpended funds from prior year | 39,543 | |
| Leave payments adjustments | 10,323 | |
| Salary regrade | 7,557 | |
| Deferred compensation match | 2,400 | |
| Health insurance premiums | 2,073 | |
| Productivity savings | (14) | |
| Group life insurance savings | (23) | |
| DIT savings | (57) | |
| Retiree health credit rate reduction | (1,562) | |
| Retirement contribution rate reduction | <u>(3,905)</u> | |
| Adjusted appropriations | | \$ 557,366 |
| Expenses: | | |
| Salaries and fringe benefits | 479,945 | |
| Contractual services | 23,685 | |
| Continuous charges | 15,487 | |
| Other | <u>2,566</u> | |
| Total expenses | | <u>521,683</u> |
| Unexpended balance | | <u>\$ 35,683</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, performing program coordination, policy planning, and budget formulation activities. The Secretary receives special revenue funds from the Jamestown/Yorktown Foundation to support the Council on Indians, which falls under this Secretary.

| | | |
|---|-----------------|------------------|
| Original appropriation | \$ 999,036 | |
| Adjustments: | | |
| Reappropriation of unexpended funds from prior year | 43,468 | |
| Salary regrade | 9,228 | |
| Health insurance premiums | 3,678 | |
| Deferred compensation match | 768 | |
| Group life insurance savings | (24) | |
| DIT savings | (384) | |
| Retiree health credit rate reduction | (1,896) | |
| Retirement contribution rate reduction | (4,806) | |
| Productivity savings | (24,094) | |
| Appropriation transfer to Governor's Office | <u>(33,000)</u> | |
| Adjusted appropriations | | \$ 991,974 |
| Other resources: | | |
| Unappropriated special revenue fund balance, July 1, 2000 | 40,765 | |
| Miscellaneous special revenues | <u>26,252</u> | |
| Total other resources | | <u>67,017</u> |
| Total appropriations and resources | | 1,058,991 |
| Expenses: | | |
| Salaries and fringe benefits | 791,118 | |
| Contractual services | 112,517 | |
| Supplies and materials | 1,638 | |
| Transfer payments | 3,615 | |
| Continuous charges | 38,227 | |
| Equipment | <u>27,255</u> | |
| Total expenses | | <u>974,370</u> |
| Unexpended balance | | <u>\$ 84,621</u> |

Secretary of Natural Resources

The Secretary acts on behalf of the Governor in the management and direction of natural resource agencies, performing program coordination, policy planning, and budget formulation activities. The Secretary receives special revenue funds for the Chesapeake Bay Clean-Up Program. Individuals donate money by designating on their tax returns their donation to the clean-up program. The Department of Taxation collects the donations with the tax returns and transfers the money to the Secretary.

| | | |
|---|----------------|------------------|
| Original appropriation | \$ 544,673 | |
| Adjustments: | | |
| Reappropriation of unexpended funds from prior year | 13,670 | |
| Salary regrade | 7,715 | |
| Health insurance premiums | 1,271 | |
| Deferred compensation match | 960 | |
| Group life insurance savings | (23) | |
| Productivity savings | (54) | |
| DIT savings | (221) | |
| Retiree health credit rate reduction | (1,595) | |
| Retirement contribution rate reduction | <u>(3,939)</u> | |
| Adjusted appropriations | | \$ 562,457 |
| Other resources: | | |
| Unappropriated special revenue fund balance, July 1, 2000 | 117,987 | |
| Miscellaneous special revenues | <u>99,290</u> | |
| Total other resources | | <u>217,277</u> |
| Total appropriations and resources | | 779,734 |
| Expenses: | | |
| Salaries and fringe benefits | 517,195 | |
| Contractual services | 9,849 | |
| Continuous charges | 23,497 | |
| Other | <u>1,153</u> | |
| Total expenses | | 551,694 |
| Transfer to the Department of Game and Inland Fisheries | | <u>180,000</u> |
| Unexpended balance | | <u>\$ 48,040</u> |

Secretary of Public Safety

The Secretary acts on behalf of the Governor in the management and direction of public safety agencies, performing program coordination, policy planning, and budget formulation activities.

| | | |
|---|----------------|------------------|
| Original appropriation | \$ 718,334 | |
| Adjustments: | | |
| Salary regrade | 11,602 | |
| Reappropriation of unexpended funds from prior year | 4,026 | |
| Deferred compensation match | 2,400 | |
| Health insurance premiums | 1,283 | |
| Group life insurance savings | (22) | |
| Productivity savings | (64) | |
| DIT savings | (260) | |
| Retiree health credit rate reduction | (2,384) | |
| Retirement contribution rate reduction | <u>(5,935)</u> | |
| Adjusted appropriations | | \$ 728,980 |
| Expenses: | | |
| Salaries and fringe benefits | 633,071 | |
| Contractual services | 26,744 | |
| Supplies and materials | 3,267 | |
| Continuous charges | 39,319 | |
| Equipment | <u>2,174</u> | |
| Total expenses | | <u>704,575</u> |
| Unexpended balance | | <u>\$ 24,405</u> |

Secretary of Technology

The Secretary serves as the Chief Information Officer of the Commonwealth, reporting directly to the Governor. The Secretary encourages both the use of efficient technology by state government and initiatives to ensure a technology-friendly business climate across the Commonwealth. Among the primary responsibilities of the Secretary are the direction and coordinated development of a statewide information infrastructure to facilitate efficient operation of the government and development of strategies to promote a technologically advanced workforce.

| | | |
|---|----------------|------------------|
| Original appropriation | \$ 778,364 | |
| Adjustments: | | |
| E-government/Digital Divide appropriation | 100,000 | |
| Main Street to E-Street appropriation | 50,000 | |
| Salary regrade | 2,506 | |
| Reappropriation of unexpended funds from prior year | 2,256 | |
| Health insurance premiums | 877 | |
| Deferred compensation match | 960 | |
| Retiree health credit rate reduction | (537) | |
| DIT savings | (676) | |
| Retirement contribution rate reduction | (1,984) | |
| Productivity savings | <u>(8,301)</u> | |
| Adjusted appropriations | | \$ 923,465 |
| Expenses: | | |
| Salaries and fringe benefits | 530,894 | |
| Contractual services | 339,111 | |
| Supplies and materials | 9,026 | |
| Continuous charges | 17,411 | |
| Equipment | <u>5,598</u> | |
| Total expenses | | <u>902,040</u> |
| Unexpended balance | | <u>\$ 21,425</u> |

Secretary of Transportation

The Secretary acts on behalf of the Governor in the management and direction of transportation agencies, performing program coordination, policy planning, and budget formulation activities. The Secretary receives all operating funding directly from the Transportation Trust Funds. At year-end, the Virginia Department of Transportation transfers Transportation Trust Funds equal to the Secretary of Transportation's expenses.

| | | |
|---|--------------|----------------|
| Available resources: | | |
| Transfer from Transportation Trust Fund | | \$ 510,255 |
| Expenses: | | |
| Salaries and fringe benefits | \$ 481,716 | |
| Contractual services | 22,275 | |
| Other | <u>6,264</u> | |
| Total expenses | | <u>510,255</u> |
| Unexpended balance | | <u>\$ -</u> |

August 31, 2001

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Governor's Cabinet Secretaries** for the year ended June 30, 2001. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of each Secretary's internal control, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of each Secretary's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

| | |
|--------------|----------------|
| Fixed Assets | Appropriations |
| Expenditures | Revenues |

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether each Secretary'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.

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.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

The Division of Selected Agency Support Services within the Office of the Secretary of Administration provides financial and administrative support to the Governor's Cabinet Secretaries. We found that the Division properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System for each Secretary. The Division records the Secretaries' financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. 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 to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

We discussed this report with management on September 6, 2001.

AUDITOR OF PUBLIC ACCOUNTS

DBC:whb
whb:25

GOVERNOR'S CABINET SECRETARIES
Richmond, Virginia

As of June 30, 2001

Donald L. Moseley, Secretary of Administration

Barry E. DuVal, Secretary of Commerce and Trade

Wilbert Bryant, Secretary of Education

John W. Forbes, Secretary of Finance

Louis F. Rossiter, Secretary of Health and Human Resources

John Paul Woodley, Jr., Secretary of Natural Resources

Gary K. Aronhalt, Secretary of Public Safety

Donald W. Upson, Secretary of Technology

Shirley J. Ybarra, Secretary of Transportation

Division of Selected Agency Support Services

Dennis Johnson, Director of Finance

