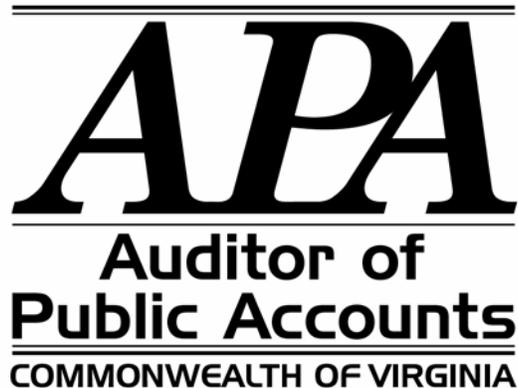


**DEPARTMENT OF MILITARY AFFAIRS**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2005**



## **AUDIT SUMMARY**

Our audit of the Department of Military Affairs for the year ended June 30, 2005, 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 HIGHLIGHTS

The Department of Military Affairs manages, trains, and supervises the Virginia National Guard, the Virginia State Defense Force, the naval Militia, and the unorganized militia. The Virginia National Guard reinforces the active military during war and crisis. It also provides civil authorities assistance during times of peace, civil disturbance, and natural disasters. Military Affairs maintains several facilities including administrative headquarters, armories, Air Guard sites, and maintenance sites.

Military Affairs receives funding through multiple sources including General Fund appropriations, federal grants, and rental income. Federal funds are the agency's primary funding source. Military Affairs uses its funding for tuition assistance, armory maintenance and repair, and administrative staff support. As shown below in the Analysis of Budget and Actual Expenses by Program, Military Affairs received an additional \$12 million during the fiscal year, of which \$11 million was an increase in federal funding. The additional federal funds supported 12 federally-funded state employee positions, telecommunications, and the increased cost of operating and maintaining Ft. Pickett.

Analysis of Budget and Actual Expenses by Program

Program:	Program Expenses			Funding Sources			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Dedicated Fund</u>	<u>Federal Fund</u>
Administrative and support services	\$ 1,529,499	\$ 1,705,438	\$ 1,587,545	\$1,368,081	\$ -	\$139,690	\$ 79,774
Higher education student financial assistance	1,600,001	1,600,001	1,359,935	1,359,935	-	-	-
Instruction	2,854,196	3,022,413	2,212,413	773,543	-	50,000	1,388,870
Defense preparedness	21,576,756	33,142,984	30,913,843	3,262,647	704,925	295,273	26,650,998
Auxiliary enterprise for national operation	<u>186,205</u>	<u>186,205</u>	<u>138,928</u>	<u>-</u>	<u>138,928</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>\$27,746,657</u>	<u>\$39,657,041</u>	<u>\$36,212,664</u>	<u>\$6,764,206</u>	<u>\$843,853</u>	<u>\$484,963</u>	<u>\$28,119,642</u>

Source: Commonwealth Accounting and Reporting System



# Commonwealth of Virginia

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

Walter J. Kucharski, Auditor

August 1, 2006

The Honorable Timothy M. Kaine  
Governor of Virginia  
State Capital  
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

We have audited the financial records and operations of the **Department of Military Affairs** for the year ended June 30, 2005. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

## Audit Objectives

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

## Audit Scope and Methodology

The Department'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 control 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.

- Expenditures (including payroll)
- Small purchase charge card
- Cash receipting

We performed audit tests to determine whether the Department'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. We inspected documents including reconciliations, time sheets, and vouchers. We reviewed the appropriate sections of the Code of Virginia and 2005 Acts of the Assembly. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

## Conclusions

We found that the Department of Military Affairs properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Department 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 August 8, 2006.

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

AGENCY OFFICIALS

Department of Military Affairs

Major General Robert Newman, Jr.  
Adjutant General

James Gargas  
Deputy Administrator