

**OFFICE OF THE GOVERNOR
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2002**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Office of the Governor for the year ended June 30, 2002, found:

- proper recording and reporting of all transactions, in all material respects 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.

September 11, 2002

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Kevin G. Miller
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 **Office of the Governor** for the year ended June 30, 2002. 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 the Office'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 the Office'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 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.

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

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 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 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 and use 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 11, 2002.

AUDITOR OF PUBLIC ACCOUNTS

JMS:whb
whb:17

AGENCY BACKGROUND

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 financial administrative support to the Governor's Office.

FINANCIAL INFORMATION

| | | |
|---|----------------|------------------|
| Original appropriation | \$ 2,379,597 | |
| Adjustments: | | |
| Supplemental appropriation for: | | |
| Operations | 1,100,515 | |
| Severance payments | 201,142 | |
| Wilder Commission | 25,000 | |
| Reappropriation of unexpended funds from prior year | 4,728 | |
| Salary regrades | 72,463 | |
| Health insurance premiums | 8,957 | |
| Deferred compensation match | 1,814 | |
| Optional retirement | 1,546 | |
| Other adjustments | 47,549 | |
| Governor's mandated budget reductions | (65,214) | |
| Retirement contribution savings | (51,037) | |
| Group life insurance savings | (2,882) | |
| Retiree health credit reversions | <u>(2,792)</u> | |
| Adjusted appropriations | | \$3,721,386 |
| Expenses: | | |
| Salaries and fringe benefits | 2,768,520 | |
| Contractual services | 484,815 | |
| Supplies and materials | 196,443 | |
| Transfer payments | 8,873 | |
| Continuous charges | 159,441 | |
| Property and equipment | <u>76,252</u> | |
| Total expenses | | <u>3,694,344</u> |
| Unexpended balance | | <u>\$ 27,042</u> |

The Governor's Office receives its funding through an appropriation from the General Fund of the Commonwealth. During the year, the Governor's Office receives routine appropriation adjustments and supplemental appropriations from the central appropriations for economic contingencies.

The Citizen's Advisory Committee on Furnishing and Interpreting the Mansion operates a nonprofit charitable organization. The Committee works closely with the Governor's Office to aid in maintaining the Executive Mansion, and accepts donations to support this work. During the year, the Committee received donations of \$53,423, and spent \$19,964 for the Mansion.

OFFICE OF THE GOVERNOR
Richmond, Virginia

Mark R. Warner, Governor

Division of Selected Agency Support Services
Dennis M. Johnson, Director