

OFFICE OF THE GOVERNOR

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2007**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Office of the Governor for the year ended June 30, 2007, 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.

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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 original 2007 budget is approximately \$1.3 million higher than the 2006 budget primarily due to inclusions of the Virginia Liaison Office and the Office of Commonwealth Preparedness.

- The Virginia Liaison Office, which was previously a separate agency, transferred to the Office of the Governor in the fiscal year. This resulted in an additional \$427,484 in the fiscal year 2007 original budget.
- The original budget includes \$478,956 to continue the operations for the Office of the Commonwealth Preparedness. In fiscal year 2008, these funds will be budgeted directly to the Office of Commonwealth Preparedness, accounting for the decrease in the fiscal year 2008 original budget.
- The final budget also includes \$100,323 for the Office of Workforce Development and Workforce Council Support. The Office of Workforce Development has responsibility for the Commonwealth’s strategic planning for workforce development in accordance with legislation passed by the 2006 General Assembly. While the Office is temporarily part of the Governor’s Office, it is the Governor’s intent to identify another agency to support the Council and oversee the initiatives.

Budget Analysis for Fiscal Years 2003-2007

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>Proposed 2008</u> |
|-----------------|--------------|--------------|--------------|--------------|--------------|----------------------|
| Original budget | \$ 2,427,764 | \$ 1,971,396 | \$ 2,036,258 | \$ 3,575,758 | \$ 4,865,455 | \$4,379,423 |
| Final budget | \$ 3,783,643 | \$ 3,443,546 | \$ 3,625,305 | \$ 4,074,511 | \$ 4,611,558 | - |
| Actual expenses | \$ 3,739,769 | \$ 3,442,112 | \$ 3,589,879 | \$ 4,067,243 | \$ 4,603,701 | - |

During 2007, the Office received additional General Fund appropriations of \$102,138 to pay for costs associated with the Queen of England’s visit to the Capital and Jamestown.

The following table includes detail relating to adjustments to appropriations as well as a detailed breakdown of expenses. The majority of the expenses of the Office are payroll and fringe benefit expenses.

Budget and Expense Analysis for Fiscal Year 2007

| | |
|---|--------------------|
| Original appropriations per Chapter 3 | <u>\$4,865,455</u> |
| Adjustments: | |
| Adjustment for moving July 3, 2006 payroll from 2007 to 2006 | (141,392) |
| Transfer from Central Accounts for salary, benefits, and mileage reimbursement | 156,724 |
| Transfer of funding to the Office of Commonwealth Preparedness | (478,956) |
| Transfer from Central Appropriations for the Queen of England's visit in May 2007 | 102,138 |
| Transfer from Central Appropriations to the Office of Workforce Development | 100,323 |
| Other adjustments | <u>7,266</u> |
| Total adjusted appropriations | <u>4,611,558</u> |
| Expenses: | |
| Personal services | 3,610,039 |
| Contractual services | 401,683 |
| Supplies and materials | 164,086 |
| Transfer payments | 19,462 |
| Continuous charges | 389,401 |
| Property and equipment | <u>19,030</u> |
| Total expenses | <u>4,603,701</u> |
| Unexpended balance | <u>\$ 7,857</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 Programs includes most of the operations of the Office as shown in the following table; however, the Office does receive funding for three other programs discussed in more detail below.

Budget and Expense Analysis for Fiscal Year 2007 by Program

| | Original Budget | Final Budget | Expenses |
|--|--------------------|---------------------|---------------------|
| Administrative and support services | \$3,500,371 | \$ 3,743,364 | \$ 3,735,508 |
| Historic and Commemorative Attraction Management | 437,565 | 432,328 | 432,328 |
| Governmental Affairs Services | 448,563 | 435,866 | 435,865 |
| Disaster Planning and Operations | <u>478,956</u> | - | - |
| Total | <u>\$4,865,455</u> | <u>\$ 4,611,558</u> | <u>\$ 4,603,701</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 five employees on staff at the Executive Mansion. These payroll expenses totaled approximately \$285,000 in 2007.

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 \$340,000 in 2007.

Disaster Planning and Operation

The Office also receives a “sum sufficient” General Fund appropriation under the Disaster Planning and Operation program, which we did not include in the previous table. 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. During fiscal year 2007, the Office transferred \$5.53 million to Emergency Management through this program to address disaster recovery related to natural disasters, such as Hurricane Ophelia, Tropical Storm Jeanne, and wildfires in Patrick County.



Commonwealth of Virginia

Auditor of Public Accounts
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Walter J. Kucharski, Auditor

October 29, 2007

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

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

We have audited the financial records and operations of the **Office of the Governor** for the year ended June 30, 2007. 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 recording financial transactions on 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 materiality and 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
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 financial 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 October 31, 2007.

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 public record.

AUDITOR OF PUBLIC ACCOUNTS

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OFFICE OF THE GOVERNOR

As of June 30, 2007

Timothy M. Kaine, Governor

DIVISION OF SELECTED AGENCY SUPPORT SERVICES

Dennis M. Johnson, Director