

**OFFICE OF THE GOVERNOR
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2000**

***AUDITOR OF
PUBLIC
ACCOUNTS***



COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Office of the Governor for the year ended June 30, 2000, found:

- proper recording and reporting of transactions, in all material aspects, in the Commonwealth Accounting and Reporting System, except for the transfers that understated the expense categories Contractual Services and Equipment;
- 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 Governor is responsible for managing the executive branch of the government, providing political and legislative leadership, 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 Secretary of Administration provides financial administrative support to the Office of the Governor (the Governor's Office).

The Governor's Office receives its funding through an appropriation from the General Fund of the Commonwealth. Included in this appropriation are funds to maintain the Executive Mansion.

Budget and Actual Statement - Budgetary Basis
For the Fiscal Year Ended June 30, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
Available resources:			
General Fund Appropriations (Note 1)	\$ 2,414,438	\$ 2,414,438	\$ -
Donations (Note 2)	-	3,850	3,850
Total available resources	2,414,438	2,418,288	3,850
Expenditures:			
Governor's Office:			
Salaries and wages	1,507,702	1,738,022	(230,320)
Benefits	317,026	395,337	(78,311)
Contractual services	329,012	353,673	(24,661)
Supplies and materials	108,275	123,971	(15,696)
Transfer payments	2,000	2,931	(931)
Continuous charges	135,723	146,092	(10,369)
Property and improvements	700	11,268	(10,568)
Equipment	14,000	32,014	(18,014)
Executive Mansion (Note 2)	-	78,395	(78,395)
Total expenditures	2,414,438	2,881,703	(467,265)
Available resources (under) expenditures	-	(463,415)	(463,415)
Transfers in (Note 3)	-	402,000	402,000
Available resources(under) expenditures and transfers in	-	(61,415)	(61,415)
Beginning balance, July 1 (Note 2)	-	126,136	126,136
Ending balance, June 30 (Note 2)	\$ -	\$ 64,721	\$ 64,721

Note 1. General Fund Appropriations

Original Appropriation	\$ 2,267,323
Increase from Central Appropriations	<u>147,115</u>
Total General Fund Appropriation Available	<u><u>\$ 2,414,438</u></u>

Note 2. Citizen's Advisory Committee

The Citizen's Advisory Committee on Furnishing and Interpreting the Executive Mansion operates as a nonprofit charitable organization. As the Committee works closely with the Governor's Office to aid in the maintenance of the Executive Mansion, the Committee's activity for the fiscal year is included in this statement.

Beginning Fund Balance, July 1, 1999	<u>\$ 126,136</u>
Add: Donations	3,850
Less: Mansion Contractual Services	(2,761)
Mansion Supplies and Materials	(158)
Mansion Equipment	<u>(75,476)</u>
Ending Fund Balance, June 30, 2000	<u><u>\$ 51,591</u></u>

Note 3. Transfers

Secretary of Administration	\$ 40,000
Secretary of Natural Resources	40,000
Secretary of Technology	40,000
Secretary of Education	7,000
Secretary of Transportation	40,000
Secretary of Public Safety	40,000
Secretary of Health and Human Resources	40,000
Secretary of Finance	40,000
Secretary of Commerce and Trade	40,000
Century Date Change Initiative Project Office	<u>75,000</u>
Total Transfers	<u><u>\$ 402,000</u></u>

During the fiscal year, the Governor's Office appointed two Deputy Chief of Staffs and a Deputy Counselor of Policy; however, the Governor's Office did not have the appropriations to fund these three new positions. The Governor's Secretaries transferred money to the Governor's Office to fund the salaries and benefits related to the new appointees. The documents supporting the transfer showed the reason for the transfer as "to fund administration's initiatives within the Secretariat."

The accounting records showed all transfers as decreases in expense categories Contractual Services and Equipment rather than a transfer. In addition, the transfer to expense category Equipment was a reimbursement from the Century Date Change Initiative Project Office for the replacement of the Governor's and his Secretaries' voice mail system originally paid for by the Secretary of Administration. Rather than transfer the fund to the Secretary of Administration and then the Governor's Office, the staff made the transfer directly to the Governor's Office.

By recording the transfers in this manner, the Commonwealth Accounting and Reporting System showed an understatement of expenses for the Governor's Office. For this report we have shown these transfers as "Other Financing Sources." In the future, staff should show transfers of this nature as transfers or obtain from the Department of Planning and Budget supplemental appropriations allowing for the allocation among the Governor's Office and his Secretaries.

August 30, 2000

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 **Office of the Governor** for the year ended June 30, 2000. 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:

Appropriations
Expenditures

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.

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.

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, except for the transfer of monies from the Secretaries and the Century Date Change Initiative Project Office as expenditure decreases to fund the salaries and benefits of three new appointees within the Governor's Office. The Office records its 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 of 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.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on August 30, 2000.

AUDITOR OF PUBLIC ACCOUNTS

OFFICE OF THE GOVERNOR
Richmond, Virginia

James S. Gilmore, III, Governor

Division of Selected Agency Support Services

Dennis Johnson, Director of Finance

