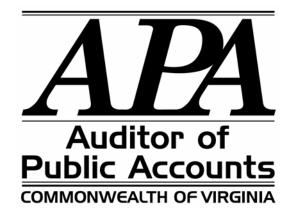
# THE GOVERNOR'S CABINET SECRETARIES

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



# **AUDIT SUMMARY**

Our audit of the Governor's Cabinet Secretaries 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.

# -TABLE OF CONTENTS-

	<u>Pages</u>
AUDIT SUMMARY	
FINANCIAL INFORMATION BY CABINET SECRETARY:	
Introduction	1
Secretary of Administration	2
Secretary of Agriculture and Forestry	3
Secretary of Commerce and Trade	4- 5
Secretary of Education	6
Secretary of Finance	7
Secretary of Health and Human Resources	8
Secretary of Natural Resources	9-10
Secretary of Public Safety	11
Secretary of Technology	12
Secretary of Transportation	13
INDEPENDENT AUDITOR'S REPORT	14-15
AGENCY OFFICIALS	16

#### FINANCIAL INFORMATION BY CABINET SECRETARY

#### Introduction

The audit of the Governor's Cabinet Secretaries covers the agencies listed below, including the newly created Secretary of Agriculture and Forestry.

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

The Division of Selected Agency Support Services, in the Office of the Secretary of Administration, provides administrative support for the Cabinet Secretaries' operations. While most Cabinet Secretaries receive the majority of their funding through an appropriation from the General Fund of the Commonwealth, some Secretaries also receive various special revenue funds, which we discuss in further detail throughout the report.

In fiscal year 2005, the Governor's Cabinet Secretaries, with the exception of the Secretary of Agriculture and Forestry and the Secretary of Transportation, received deficit appropriations to fund essential office operations. These appropriations, across all Secretaries, totaled almost \$700,000 in this fiscal year. In previous years, the Secretaries received supplemental appropriations or transfers from other Secretaries to fund these expenses. Both the Governor and the General Assembly have addressed these funding issues in the 2004-2006 biennial budget by appropriating amounts to fully fund operations for fiscal year 2006.

The following table summarizes the budget and expenses for each Secretary.

#### Budget and Expense Analysis for Fiscal Year 2005

	Original Budget	Final <u>Budget</u>	Expenses
Secretary of Administration	\$ 7,374,922	\$ 7,607,086	\$ 7,559,359
Secretary of Agriculture and Forestry	-	246,237	170,994
Secretary of Commerce and Trade	547,753	806,668	686,672
Secretary of Education	1,466,165	1,759,827	1,659,721
Secretary of Finance	443,954	507,046	488,642
Secretary of Health and Human Resources	556,763	719,853	696,048
Secretary of Natural Resources	486,801	604,680	591,652
Secretary of Public Safety	624,632	694,052	686,824
Secretary of Technology	546,864	562,151	513,314
Secretary of Transportation	580,390	613,873	613,672
Total	<u>\$12,628,244</u>	<u>\$14,121,473</u>	<u>\$13,666,898</u>

The following sections summarize the purpose and funding of each of the Secretaries listed in the table above. The format of the information will vary based on the Secretaries' funding sources.

#### **Secretary of Administration**

The Secretary assists the Governor with the management and direction of the administration of state government. Within the Office of the Secretary of Administration is the Division of Selected Agency Support Services. The Division provides financial and administrative support to:

Office of the Governor
Office of the Lieutenant Governor
Offices of the Governor's Cabinet Secretaries
Citizen's Advisory Committee
Virginia-Israel Advisory Board

Original hudget

Interstate Organization Contributions Office for Substance Abuse Prevention Virginia Liaison Office Virginia Racing Commission

2005

\$7 374 922

The VPBB serves as a conduit of state financial support of public radio and television stations. The Secretary receives General Fund appropriations to fund office operations. In fiscal year 2005, the Secretary also received over \$18,000 in special revenue from the federal government, which the Secretary transferred to the Department of Education for distribution to specific localities for land use. The following tables summarize the budget and expenses for the Secretary for fiscal years 2004 and 2005.

# Financial Summary for Fiscal Years 2004 and 2005

2004

\$7 333 193

Final budget 7,479,218 7,607,086 Expenses 7,451,054 7,559,359   **Budget and Expense Analysis for Fiscal Year 2005**  Original appropriations per Chapter 4 Additions per Chapter 951 \$7,374,922 Additions per Chapter 951 \$7,429,632  Adjustments:  Deficit loan per Section 4-3.01a (2c) of Chapter 4 \$136,776 Adjustment for salary and fringe benefit increases \$25,106 Other adjustments \$15,572\$  Total adjusted appropriations \$7,607,086  Expenses:  Salaries and fringe benefits \$940,149 Contractual services \$139 Continuous charges \$96,612 Supplies and materials \$23,793 Property and equipment \$5,203 Public broadcasting grants \$6,493,463  Total expenses \$7,559,359 Unexpended balance \$47,727		Original budget	\$7,333,193	\$1,314,922	
Budget and Expense Analysis for Fiscal Year 2005  Original appropriations per Chapter 4 Additions per Chapter 951 Appropriations per Chapter 951 Appropriations per Chapter 951 Adjustments: Deficit loan per Section 4-3.01a (2c) of Chapter 4 Adjustment for salary and fringe benefit increases Other adjustments  Total adjusted appropriations  Expenses: Salaries and fringe benefits Salaries and fringe benefits Contractual services Continuous charges Supplies and materials Property and equipment 5,203 Public broadcasting grants  Total expenses  7,559,359		Final budget	7,479,218	7,607,086	
Original appropriations per Chapter 4       \$7,374,922         Additions per Chapter 951       54,710         Appropriations per Chapter 951       7,429,632         Adjustments:       136,776         Deficit loan per Section 4-3.01a (2c) of Chapter 4       136,776         Adjustment for salary and fringe benefit increases       25,106         Other adjustments       15,572         Total adjusted appropriations       7,607,086         Expenses:       Salaries and fringe benefits       940,149         Contractual services       139         Continuous charges       96,612         Supplies and materials       23,793         Property and equipment       5,203         Public broadcasting grants       6,493,463         Total expenses       7,559,359		Expenses	7,451,054	7,559,359	
Additions per Chapter 951       54,710         Appropriations per Chapter 951       7,429,632         Adjustments:       136,776         Deficit loan per Section 4-3.01a (2c) of Chapter 4       136,776         Adjustment for salary and fringe benefit increases       25,106         Other adjustments       15,572         Total adjusted appropriations       7,607,086         Expenses:       Salaries and fringe benefits       940,149         Contractual services       139         Continuous charges       96,612         Supplies and materials       23,793         Property and equipment       5,203         Public broadcasting grants       6,493,463         Total expenses       7,559,359		Budget and Expen	nse Analysis for Fi	scal Year 2005	
Appropriations per Chapter 951  Adjustments:  Deficit loan per Section 4-3.01a (2c) of Chapter 4 Adjustment for salary and fringe benefit increases Other adjustments  Total adjusted appropriations  Expenses: Salaries and fringe benefits Salaries and fringe benefits Contractual services Continuous charges Supplies and materials Property and equipment Public broadcasting grants  Total expenses  Total expenses  7,429,632  7,429,632  7,607,086	Original appro	priations per Chapte	r 4		\$7,374,922
Adjustments: Deficit loan per Section 4-3.01a (2c) of Chapter 4 Adjustment for salary and fringe benefit increases Other adjustments  Total adjusted appropriations  Expenses: Salaries and fringe benefits Contractual services Continuous charges Supplies and materials Property and equipment Public broadcasting grants  Adjustments  136,776 25,106 25,106 26,107,086   Expenses:  940,149 20,149 21,793 22,793 23,793 23,793 24,793 25,203 26,493,463	Additions per	Chapter 951			54,710
Deficit loan per Section 4-3.01a (2c) of Chapter 4 Adjustment for salary and fringe benefit increases Other adjustments  Total adjusted appropriations  Expenses: Salaries and fringe benefits Contractual services Continuous charges Supplies and materials Property and equipment Public broadcasting grants  Total expenses  136,776 25,106 25,106 27,607,086  7,607,086  24,149 25,106 26,107,086  7,607,086  7,607,086  7,607,086  7,607,086  7,607,086  7,607,086  7,607,086  7,607,086  7,607,086  7,607,086  7,607,086  7,607,086	Appropr	riations per Chapter 9	951		7,429,632
Adjustment for salary and fringe benefit increases Other adjustments  Total adjusted appropriations  Expenses: Salaries and fringe benefits Contractual services Continuous charges Supplies and materials Property and equipment Public broadcasting grants  25,106 15,572  7,607,086  840,149 940,149 23,793 23,793 6,612 23,793 Property and equipment 5,203 Public broadcasting grants  7,559,359	Adjustments:				
Other adjustments15,572Total adjusted appropriations7,607,086Expenses: Salaries and fringe benefits Contractual services Continuous charges Supplies and materials Property and equipment Public broadcasting grants940,149 96,612 23,793 5,203 6,493,463Total expenses7,559,359	Deficit loan	per Section 4-3.01a (	(2c) of Chapter 4		136,776
Total adjusted appropriations  Expenses:  Salaries and fringe benefits  Contractual services  Continuous charges  Supplies and materials  Property and equipment  Public broadcasting grants  Total expenses  Total expenses  7,607,086  940,149  940,149  296,612  23,793  96,612  23,793  Poperty and equipment  5,203  Public broadcasting grants  7,559,359	Adjustment i	for salary and fringe	benefit increases		25,106
Expenses:  Salaries and fringe benefits  Contractual services  Continuous charges  Supplies and materials  Property and equipment  Public broadcasting grants  Total expenses  940,149  940,149  940,149  23,793  6,612  523,793  7,5203  Public broadcasting grants  7,559,359	Other adjusts	ments			15,572
Salaries and fringe benefits  Contractual services  Continuous charges  Supplies and materials  Property and equipment  Public broadcasting grants  Total expenses  940,149  23,793  23,793  23,793  7,503  6,493,463	Total ad	justed appropriations	S		7,607,086
Contractual services139Continuous charges96,612Supplies and materials23,793Property and equipment5,203Public broadcasting grants6,493,463Total expenses7,559,359	Expenses:				
Continuous charges96,612Supplies and materials23,793Property and equipment5,203Public broadcasting grants6,493,463Total expenses7,559,359	Salaries and	fringe benefits			940,149
Supplies and materials Property and equipment Public broadcasting grants  Total expenses  23,793 5,203 6,493,463  7,559,359	Contractual s	services			139
Property and equipment 5,203 Public broadcasting grants 6,493,463  Total expenses 7,559,359	Continuous of	charges			96,612
Public broadcasting grants 6,493,463  Total expenses 7,559,359	Supplies and	materials			23,793
Total expenses	Property and	equipment			5,203
	Public broad	casting grants			6,493,463
Unexpended balance <u>\$ 47,727</u>	Total ex	penses			7,559,359
	Unexper	nded balance			<u>\$ 47,727</u>

#### **Secretary of Agriculture and Forestry**

In accordance with the <u>Code of Virginia</u>, the Governor established this Secretary to provide policy guidance and direction on the conservation, protection, and development of Virginia's agricultural and forest resources, as well as consumer protection. The Secretary also oversees the Virginia Department of Agriculture and Consumer Services, the Department of Forestry, the Virginia Agricultural Council, and the Virginia Marine Products Board. These agencies previously reported to the Secretary of Commerce and Trade.

The Secretary receives General Fund appropriations to fund office operations. This funding was not part of the original budget approved by the 2004 General Assembly because the Governor had not established the position; however, the General Assembly did approve funding during the 2005 session. The Secretary's office also received a General Fund appropriation transfer from the second year to the first year to provide funding for the implementation of this new office. The following tables summarize the budget and expenses for the Secretary for fiscal year 2005.

#### Financial Summary for Fiscal Year 2005

	2005
Original budget	\$ -
Final budget	246,237
Expenses	170,994

Appropriations per Chapter 951	\$118,000
Adjustments:	4.70.000
Transfer of appropriation from second year to first year	150,000
Transfer of funds to the Department of Agriculture and Consumer Services for research	(21,763)
and Consumer Services for research	(21,703)
Total adjusted appropriations	246,237
Expenses:	
Salaries and fringe benefits	156,250
Contractual services	12,832
Continuous charges	840
Supplies and materials	762
Property and equipment	310
Total expenses	170,994
Unexpended balance	<u>\$ 75,243</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. The Secretary receives General Fund appropriations to fund office operations. The following tables summarize the General Fund budget and expenses for the Secretary for fiscal years 2004 and 2005.

#### General Fund Summary for Fiscal Years 2004 and 2005

	2004	2005
Original budget	\$526,155	\$547,753
Final budget	555,480	806,668
Expenses	555,035	686,672

#### General Fund Budget and Expense Analysis for Fiscal Year 2005

Original appropriations per Chapter 4 Additions per Chapter 951	\$547,753 110,418
Appropriations per Chapter 951	658,171
Adjustments:	
Deficit loan per Section 4-3.01a (2c) of Chapter 4	138,022
Adjustment for salary and fringe benefit increases	14,508
Other adjustments	(4,033)
Total adjusted appropriations	806,668
Expenses:	
Salaries and fringe benefits	612,546
Contractual services	19,749
Continuous charges	49,859
Supplies and materials	3,104
Property and equipment	1,414
Total expenses	686,672
Unexpended balance	<u>\$119,996</u>

During fiscal year 2005, the Secretary of Commerce and Trade also received various General Fund transfers from Central Appropriations for specific purposes as required by the Appropriation Act. We discuss each of these transfers in more detail below.

#### Governor's Development Opportunity Fund

The Governor uses the Development Opportunity Fund (the Opportunity Fund) to attract economic development prospects and secure the expansion of existing industry in the Commonwealth. The Opportunity Fund receives a General Fund transfer from Central Appropriations. The Virginia Economic Development Partnership aids in the review of proposals for funding from the Opportunity Fund and the Secretary makes

transfer payments to localities based on approved proposals. The Governor uses the funds to make grants or loans to localities that in turn transfer funds to the approved company.

The General Fund appropriation for fiscal year 2005 includes \$1,877,758 specifically reserved for solar and photovoltaic manufacturing incentive grants. The following table summarizes activity in this fund for the last five fiscal years. The fiscal year 2005 ending balance includes \$14.5 million in commitments that the Governor has approved, but remain undisbursed.

	2001	2002	2003	2004	2005
Beginning balance Transfer in/(out)of	\$ 14,815,154	\$ 32,848,595	\$ 20,782,997	\$ 23,703,991	\$ 19,010,454
General Fund appropriations	31,000,000	(4,500,000)	10,000,000	7,500,000	13,877,758
Interest earned	2,471,468	1,365,402	945,994	436,953	799,501
Transfers payments to					
localities/companies	(15,438,027)	(8,931,000)	(8,025,000)	(12,630,490)	(8,186,261)
Ending balance	\$ 32,848,595	\$ 20,782,997	\$ 23,703,991	<u>\$ 19,010,454</u>	<u>\$ 25,501,452</u>

The Secretary also collects payments on a loan made to the city of Danville from the Opportunity Fund. Chapter 935, 1999 Acts of Assembly, approved a \$1.8 million loan from the Opportunity Fund to the City of Danville to help retain a major employer. In fiscal year 2005, Secretary collected the loan and transferred the balance of the loan, totaling \$1,080,000 to the General Fund.

#### Semiconductor Memory/Logic Wafer Manufacturing Performance Grant Fund

The Secretary receives general funds through Central Appropriations for the Semiconductor Memory/Logic Wafer Manufacturing Performance Grant Fund. The grants seek to encourage the manufacturing of semiconductor wafers and the fund has received a total of \$6,720,000 in accordance with the Appropriation Act.

# Transfer for Virginia Biotechnology Research Park Authority

The Secretary received a transfer of General Funds from Central Appropriations for payment to the Virginia Biotechnology Research Park Authority totaling \$3,200,000. These funds compensated the Authority for land acquisition and costs related to economic development activities.

#### **Secretary of Education**

The Secretary acts on behalf of the Governor in the management and direction of educational agencies and performs program coordination, policy planning, and budget formulation activities. The Secretary of Education receives funding primarily from General Fund appropriations. In the original budget, the Secretary expected to receive over \$188,000 in special funds from the Department of Education and the Virginia Business and Education Partnership; however, these funds were not available to the Secretary's Office. The following tables summarize the General Fund budget for fiscal years 2004 and 2005, as well as expenses for fiscal year 2005. The Secretary's budget increased significantly in fiscal year 2005 due to more funding for contracts to continue the school efficiency reviews pilot and to complete a capital needs assessment and feasibility study.

# General Fund Summary for Fiscal Years 2004 and 2005

	2004	2005
Original budget	\$353,516	\$1,466,165
Final budget	643,790	1,759,827
Expenses	635,845	1,659,721

#### General Fund Budget and Expense Analysis for Fiscal Year 2005

Original appropriations per Chapter 4	\$1,466,165
Additions per Chapter 951	39,497
Appropriations per Chapter 951	1,505,662
Adjustments:	
Deficit loan per Section 4-3.01a (2c) of Chapter 4	236,983
Adjustment for salary and fringe benefit increases	14,150
Other adjustments	3,032
<u></u>	
Total adjusted appropriations	1,759,827
<b>3 11 1</b>	
Expenses:	
Salaries and fringe benefits	597,585
Contractual services	1,010,864
Continuous charges	47,060
Supplies and materials	3,003
Property and equipment	1,209
Total expenses	1,659,721
Unexpended balance	<u>\$ 100,106</u>

# **Secretary of Finance**

The Secretary acts on behalf of the Governor in the management and direction of the finance agencies and performs program coordination, policy planning, and budget formulation activities. The Secretary of Finance receives General Fund appropriations for office operations. The following tables summarize the budget and expenses for the Secretary for fiscal years 2004 and 2005.

# Financial Summary for Fiscal Years 2004 and 2005

	2004	2005
Original budget	\$424,743	\$443,954
Final budget	475,110	507,046
Expenses	475,003	488,642

Original appropriations per Chapter 4	\$443,954
Additions per Chapter 951	16,588
Appropriations per Chapter 951	460,542
Adjustments:	
Deficit loan per Section 4-3.01a(2c) of Chapter4	37,324
Adjustment for salary and fringe benefit increases	13,442
Other adjustments	(4,262)
Total adjusted appropriations	_507,046
3 11 1	
Expenses:	
Salaries and fringe benefits	463,776
Contractual services	5,262
Continuous charges	18,897
Supplies and materials	662
Property and equipment	45
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Total expenses	488,642
10th onpones	,2
Unexpended balance	\$ 18.404
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#### **Secretary of Health and Human Resources**

The Secretary acts on behalf of the Governor in the management and direction of health and human resources agencies and provides program coordination, policy planning, and budget formulation activities. The Secretary receives primarily General Fund appropriations as well as a transfer of special revenue funds from the Jamestown-Yorktown Foundation to support the Council on Indians. In 2004, the Governor approved transferring the Council on Indians from the Secretary of Health and Human Resources to the Secretary of Natural Resources, which occurred in fiscal year 2005. The following tables summarize budget and expense information for fiscal years 2004 and 2005.

# Financial Summary for Fiscal Years 2004 and 2005

	2004	2005
Original budget	\$528,104	\$556,763
Final budget	752,938	719,853
Expenses	720,428	696,048

Original appropriations per Chapter 4 Additions per Chapter 951	\$556,763 <u>36,481</u>
Appropriations per Chapter 951	593,244
Adjustments:	
Deficit loan per Section 4-3.01a (2c) of Chapter 4	100,322
Transfer of funding for the Council on Indians	37,743
Adjustment for salary and fringe benefit increases	13,503
Transfer of funding for the Council on Indians to	
the Secretary of Natural Resources	(36,985)
Other adjustments	12,026
Total adjusted appropriations	719,853
Expenses:	
Salaries and fringe benefits	644,093
Contractual services	9,617
Continuous charges	39,461
Supplies and materials	2,123
Property and equipment	700
Transfer payment	54
Total expenses	696,048
Unexpended balance	<u>\$ 23,805</u>

# **Secretary of Natural Resources**

The Secretary acts on behalf of the Governor in the management and direction of the natural resource agencies and provides program coordination, policy planning, and budget formulation activities. The Secretary receives General Fund appropriations to fund office operations. In fiscal year 2005, the Secretary received a transfer of funds from the Secretary of Health and Human Resources for the Council on Indians. The following tables summarize the budget and expenses for the Secretary for fiscal years 2004 and 2005.

# Financial Summary for Fiscal Years 2004 and 2005

	2004	2005
Original budget	\$468,484	\$486,801
Final budget	503,093	604,680
Expenses	503,024	591,652

Original appropriations per Chapter 4 Additions per Chapter 951	\$486,801 <u>45,651</u>
Appropriations per Chapter 951	532,452
Adjustments:	
Transfer of funding for the Council on Indians from	
the Secretary of Health and Human Resources	36,985
Deficit loan per Section 4-3.01a (2c) of Chapter 4	21,721
Adjustment for salary and fringe benefit increases	12,256
Other adjustments	1,266
Total adjusted appropriations	604,680
Expenses:	
Salaries and fringe benefits	523,956
Contractual services	36,963
Continuous charges	28,735
Supplies and materials	839
Property and equipment	754
Transfer payment	405
Total expenses	591,652
Unexpended balance	<u>\$ 13,028</u>

The Secretary also received \$80,560 in special revenue for the Council on Indians, primarily from the Jamestown-Yorktown Foundation and the Department of Historic Resources. Of these funds, the Council spent \$38,184 in fiscal year 2005 to support the Virginia Heritage Trail, which coincides with the 400<sup>th</sup> Anniversary Commemoration at Jamestown.

The Secretary also receives special revenue funds for the Chesapeake Bay Clean-Up Program. Individual taxpayers donate money by designating on their tax returns their donation to the program. The Department of Taxation collects the donations and transfers the money to the Secretary. The Secretary has the authority to transfer funds from this account when the Chesapeake Bay Local Assistance Department demonstrates a need for the funding.

Unexpended special revenue fund balance as of July 1, 2004	\$475,110
Chesapeake Bay Clean-Up special revenues	134,160
Transfers to the Chesapeake Bay Local Assistance Department	(230,000)
m . 1	фадо адо
Total available resources	\$379.270

# **Secretary of Public Safety**

The Secretary acts on behalf of the Governor in the management and direction of the public safety agencies and provides program coordination, policy planning, and budget formulation activities. The Secretary receives General Fund appropriations to fund office operations. The following tables summarize the budget and expenses for the Secretary for fiscal years 2004 and 2005.

# Financial Summary for Fiscal Years 2004 and 2005

	2004	2005
Original budget	\$601,542	\$624,632
Final budget	704,719	694,052
Expenses	704,555	686,824

Original appropriations per Chapter 4 Additions per Chapter 951	\$624,632 33,590
Appropriations per Chapter 951	658,222
Adjustments:	
Deficit loan per Section 4-3.01a (2c) of Chapter 4	25,193
Adjustment for salary and fringe benefit increases	16,018
Other adjustments	(5,381)
Total adjusted appropriations	694,052
Expenses:	
Salaries and fringe benefits	624,382
Contractual services	7,989
Continuous charges	50,583
Supplies and materials	3,535
Property and equipment	807
Transfer payments	(472)
Total expenses	686,824
Unexpended balance	<u>\$ 7,228</u>

# **Secretary of Technology**

The Secretary is responsible for developing, monitoring and directing the technology strategy and assisting in technology based innovation and economic development for the Commonwealth. The Secretary oversees two agencies: Virginia's Center for Innovative Technology and the Virginia Information Technologies Agency (VITA).

The Secretary primarily receives General Fund appropriations for operations. In the original budget, the Secretary expected to receive over \$48,000 in special funds from VITA to support operations; however, these funds were not available to the Secretary's Office. The following table summarizes the budget and expenses for the Secretary for fiscal year 2005.

### Financial Summary by Funding Source for Fiscal Year 2005

	Original Budget	Final Budget	Actual Funding
General Fund appropriations Special revenue	\$498,082 48,782	\$513,369 48,782	\$513,369 
Total	<u>\$546,864</u>	<u>\$562,151</u>	<u>\$513,369</u>
General Fund Budget and Expense Analysis for Fiscal Year 2005			
Original appropriations per Chap Additions per Chapter 951	oter 4		\$498,082 5,728
Appropriations per Chapte	er 951		503,810
Adjustments: Adjustment for salary and fring Deficit loan per Section 4-3.01 Other adjustments	a (2c) of Chapter		11,986 1,432 (3,859)
Total adjusted appropriation	OIIS		513,369
Expenses: Salaries and fringe benefits Contractual services Continuous charges Supplies and materials Property and equipment			414,598 46,659 28,004 1,819 22,234
Total expenses			513,314
Unexpended balance			<u>\$ 55</u>

# **Secretary of Transportation**

The Secretary acts on behalf of the Governor in the management and direction of the transportation agencies and provides program coordination, policy planning, and budget formulation activities. The Secretary receives all operating funds directly from the Transportation Trust Funds. At year-end, the Virginia Department of Transportation transfers Transportation Trust Funds equal to the Secretary's expenses. The following table summarizes the budget and expenses for the Secretary for fiscal years 2004 and 2005.

#### Financial Summary for Fiscal Years 2004 and 2005

	2004	2005
Original budget	\$481,808	\$580,390
Final budget	558,808	613,873
Expenses	558,751	613,672

Original appropriations per Chapter 4 Additions per Chapter 951	\$580,390 <u>33,483</u>
Appropriations per Chapter 951	613,873
Expenses:	
Salaries and fringe benefits	578,346
Contractual services	9,689
Continuous charges	21,819
Supplies and materials	3,612
Property and equipment	206
Total expenses	613,672
Unexpended balance	<u>\$ 201</u>



# Commonwealth of Hirginia

Walter J. Kucharski, Auditor

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

August 19, 2005

The Honorable Mark R. Warner Governor of Virginia State Capitol Richmond, Virginia The Honorable Lacey E. Putney 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, 2005. We conducted our audit in accordance with standards for performance audits set forth in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States.

#### Audit Objectives, Scope, and Methodology

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 Secretaries' internal controls, 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 Secretaries' 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.

Expenditures Revenues Appropriations

We gained an understanding of the overall internal controls, automated and manual, 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 Secretaries' 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 Secretaries' 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. In addition, 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. The Division records the Secretaries' 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 that are required to be reported under <u>Government Auditing Standards</u>.

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 7, 2005

**AUDITOR OF PUBLIC ACCOUNTS** 

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# GOVERNOR'S CABINET SECRETARIES As of June 30, 2005

Sandra D. Bowen, Secretary of Administration

Robert S. Bloxom, Secretary of Agriculture and Forestry

Michael J. Schewel, Secretary of Commerce and Trade

Belle S. Wheelan, Secretary of Education

John M. Bennett, Secretary of Finance

Jane H. Woods, Secretary of Health and Human Resources

W. Tayloe Murphy, Jr., Secretary of Natural Resources

John W. Marshall, Secretary of Public Safety

Eugene J. Huang, Secretary of Technology

Pierce Homer, Secretary of Transportation

#### DIVISION OF SELECTED AGENCY SUPPORT SERVICES

Dennis Johnson, Director