

**GOVERNOR'S CABINET SECRETARIES  
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 Governor's Cabinet Secretaries 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 overstated or understated the expense category Contractual Services;
- 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 audit of the Governor's Cabinet Secretaries covers the following agencies:

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

During the fiscal year, the Secretaries transferred money to the Office of the Governor to fund Administration initiatives as also discussed in the audit report on the Office of the Governor, dated August 30, 2000. Several Secretaries in return received money from various agencies to support those transfers and in some instances to support additional initiatives.

The financial highlights below discuss the source and amount of the transfers. The documents supporting all transfers showed the reason for the transfer as "funding administration's initiatives within the Secretariat."

The accounting records showed all transfers out as increases in the expense category, Contractual Services, rather than a transfer. By recording the transfers in this manner, the Commonwealth Accounting and Reporting System showed an understatement of expenses for the Governor's Office and an overstatement of expenses in the Secretaries Offices.

For those Secretaries receiving funding from agencies, the Secretary's Contractual Services expenses had a decrease in the amount of the transfer in to the Secretary. If it exceeded the amount transferred to the Governor's Office, the Commonwealth Accounting and Reporting System showed an understatement of expenses for the Secretary.

For this report we have reflected all transfers related to the Governor's Office and state agencies as "Transfers." 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.

The following sections summarize the purpose and funding of each of the Secretaries and include a high level review of their budget to actual financial activity for the year ended June 30, 2000. General Fund of the Commonwealth appropriations fund most of the Secretaries' operations. The financial highlights discuss other funding the Secretaries receive.

## Secretary of Administration

The Secretary aids with the management and direction of administration agencies in state government. Within the Office of the Secretary of Administration is the Division of Selected Agency Support. The Division provides the financial and administrative support to: the Governor's Office; Office of the Lieutenant Governor; Offices of the Governor's Secretaries; Office of the Secretary of the Commonwealth; Virginia Liaison Office; Virginia Racing Commission; Citizen's Advisory Committee; and Interstate Organization Contributions.

### Budget and Actual – Budgetary Basis For the Year Ended June 30, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
Available resources:			
General fund appropriations (See Schedule 1)	\$ 1,000,847	\$ 1,000,847	\$ -
Unappropriated special revenue fund balance, July 1, 1999	-	12,618	12,618
Miscellaneous special revenues	-	17,106	17,106
Total available resources	1,000,847	1,030,571	29,724
Expenditures:			
Salaries and wages	778,500	820,366	(41,866)
Contractual services	98,347	7,659	90,688
Supplies and materials	53,000	44,893	8,107
Continuous charges	68,000	70,359	(2,359)
Equipment	3,000	8,816	(5,816)
Other	-	17,106	(17,106)
Total expenditures	1,000,847	969,199	31,648
Available resources over expenditures	-	61,372	61,372
Transfers:			
To the Office of the Governor	-	(40,000)	(40,000)
To the Secretary of the Commonwealth	-	(700)	(700)
Total transfers	-	(40,700)	(40,700)
Unexpended balance	\$ -	\$ 20,672	\$ 20,672

## Secretary of Commerce and Trade

The Secretary works with the management and direction of commerce and trade agencies, performing program coordination, policy planning, and budget formulation activities. The Secretary receives special revenue funding from the Governor's Opportunity Fund. The Opportunity Fund seeks to generate business within the Commonwealth through land development and site preparation. The Department of Business Assistance aids in the review of proposals for funding from the Opportunity Fund and the Secretary makes transfer payments to localities based on approved proposals.

### Budget and Actual – Budgetary Basis For the Year Ended June 30, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
Available resources:			
General fund appropriations (See Schedule 1)	\$ 601,221	\$ 601,221	\$ -
Opportunity fund appropriations	22,023,310	22,023,310	-
Unappropriated opportunity fund balance, July 1, 1999	-	11,927,479	11,927,479
Opportunity fund revenues	-	1,159,675	1,159,675
Transfer for opportunity fund	-	1,750,000	1,750,000
Total available resources	22,624,531	37,461,685	14,837,154
Expenditures:			
Salaries and wages	375,844	427,318	(51,474)
Benefits	118,766	90,924	27,842
Contractual services	46,868	15,464	31,404
Supplies and materials	5,000	4,982	18
Transfer payments	22,023,310	22,023,354	(44)
Continuous charges	51,743	39,322	12,421
Equipment	3,000	13,543	(10,543)
Total expenditures	22,624,531	22,614,907	9,624
Available resources over expenditures	-	14,846,778	14,846,778
Transfers:			
To the Office of the Governor	-	(40,000)	(40,000)
From Virginia Employment Commission	-	6,000	6,000
From Department of Agriculture and Consumer Services	-	6,000	6,000
From Department of Business Assistance	-	6,000	6,000
Total transfers	-	(22,000)	(22,000)
Unexpended balance	\$ -	\$ 14,824,778	\$ 14,824,778

## Secretary of Education

The Secretary works on the management and direction of educational agencies, performs program coordination, policy planning, and budget formulation activities. The Secretary receives and distributes general fund appropriations and special revenue funds for the Virginia Business – Education Partnership; however, the Virginia Department of Education acts as the fiscal agent for the direct handling of these monies.

### Budget and Actual – Budgetary Basis For the Year Ended June 30, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
Available resources:			
General fund appropriations (See Schedule 1):	\$ 653,256	\$ 653,256	\$ -
Expenditures:			
Salaries and wages	485,595	489,728	(4,133)
Contractual services	97,656	121,724	(24,068)
Supplies and materials	4,000	5,072	(1,072)
Transfer payments	-	94	(94)
Continuous charges	48,005	36,067	11,938
Equipment	18,000	17,050	950
Total expenditures	653,256	669,735	(16,479)
Available resources (under) expenditures	-	(16,479)	(16,479)
Transfers:			
To the Office of Governor	-	(7,000)	(7,000)
To the Secretary of the Commonwealth	-	(16,000)	(16,000)
From the Department of Education	-	40,000	40,000
Total transfers	-	17,000	17,000
Unexpended balance	\$ -	\$ 521	\$ 521

Secretary of Finance

The Secretary works with the management and direction of finance agencies, performing program coordination, policy planning and budget formulation activities.

Budget and Actual – Budgetary Basis  
For the Year Ended June 30, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
Available resources:			
General fund appropriations (See Schedule 1)	\$ 819,832	\$ 819,832	\$ -
Expenditures:			
Salaries and wages	355,135	355,256	(121)
Benefits	77,623	82,822	(5,199)
Contractual services	368,455	269,558	98,897
Supplies and materials	2,500	2,887	(387)
Transfer payments	-	31	(31)
Continuous charges	14,619	13,944	675
Equipment	1,500	15,791	(14,291)
Total expenditures	819,832	740,289	79,543
Available resources over expenditures	-	79,543	79,543
Transfer to the Office of the Governor	-	(40,000)	(40,000)
Unexpended appropriations	\$ -	\$ 39,543	\$ 39,543

## Secretary of Health and Human Resources

The Secretary works with the management and direction of health and human resource agencies, performing program coordination, policy planning, and budget formulation activities. The Secretary receives special revenue funds from the Jamestown/Yorktown Foundation to support the Council on Indians, which falls under this Secretary.

### Budget and Actual – Budgetary Basis For the Year Ended June 30, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
Available resources:			
General fund appropriations (See Schedule 1)	\$ 878,649	\$ 878,649	\$ -
Unappropriated special revenue fund balance, July 1, 1999	-	13,703	13,703
Miscellaneous special revenues	-	27,062	27,062
Total available resources	878,649	919,414	40,765
Expenditures:			
Salaries and wages	585,739	500,275	85,464
Benefits	87,860	107,258	(19,398)
Contractual services	54,649	28,480	26,169
Supplies and materials	6,000	4,846	1,154
Transfer payments	-	3,583	(3,583)
Continuous charges	38,388	36,176	2,212
Property and improvements	-	275	(275)
Equipment	106,013	114,287	(8,274)
Total expenditures	878,649	795,180	83,469
Available resources over expenditures	-	124,234	124,234
Transfer to the Office of the Governor	-	(40,000)	(40,000)
Unexpended balance	\$ -	\$ 84,234	\$ 84,234



## Secretary of Natural Resources

The Secretary works with the management and direction of natural resource agencies, performing program coordination, policy planning, and budget formulation activities. The Secretary receives special revenue funds for the Chesapeake Bay Clean-Up Program. Individuals donate money by designating on their tax returns their donation to the clean-up program. The Department of Taxation collects the donations with the tax returns and transfers the money to the Secretary.

### Budget and Actual – Budgetary Basis For the Year Ended June 30, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
Available resources:			
General fund appropriations (See Schedule 1)	\$ 478,886	\$ 478,886	\$ -
Special revenue fund balance, July 1, 1999	108,000	108,032	32
Miscellaneous revenues	-	117,955	117,955
Total available resources	586,886	704,873	117,987
Expenditures:			
Salaries and wages	356,941	343,868	13,073
Benefits	74,164	77,054	(2,890)
Contractual services	44,236	34,456	9,780
Supplies and materials	1,000	1,280	(280)
Transfer payments	108,000	108,026	(26)
Continuous charges	1,745	1,200	545
Equipment	800	2,332	(1,532)
Total expenditures	586,886	568,216	18,670
Available resources over expenditures	-	136,657	136,657
Transfers:			
To the Office of the Governor	-	(40,000)	(40,000)
From the Department of Environmental Quality	-	30,000	30,000
From the Department of Conservation and and Recreation	-	5,000	5,000
Total transfers	-	(5,000)	(5,000)
Unexpended balance	\$ -	\$ 131,657	\$ 131,657

Secretary of Public Safety

The Secretary works with the management and direction of public safety agencies, performing program coordination, and policy planning and budget formulation activities. The Secretary received special revenues from several departments for the Land Radio Project, to develop a plan to implement a statewide-shared land mobile radio system.

Budget and Actual – Budgetary Basis  
For the Year Ended June 30, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
Available resources:			
General fund appropriations (See Schedule 1)	\$ 831,194	\$ 831,194	\$ -
Land radio project revenues	142,000	50,843	(91,157)
Total available resources	973,194	882,037	(91,157)
Expenditures:			
Salaries and wages	672,212	583,178	89,034
Benefits	57,263	117,639	(60,376)
Contractual services	53,587	73,480	(19,893)
Supplies and materials	4,000	6,707	(2,707)
Transfer payments	-	2,263	(2,263)
Continuous charges	36,132	36,166	(34)
Equipment	8,000	7,735	265
Other	142,000	50,843	91,157
Total expenditures	973,194	878,011	95,183
Available resources over expenditures	-	4,026	4,026
Transfers:			
To the Office of the Governor	-	(40,000)	(40,000)
From the Department of Corrections	-	40,000	40,000
Total transfers	-	-	-
Unexpended balance	\$ -	\$ 4,026	\$ 4,026

## Secretary of Technology

The Secretary serves as the Chief Information Officer of the Commonwealth, reporting directly to the Governor. The Secretary encourages both the use of efficient technology by state government and initiatives to ensure a technology-friendly business climate across the Commonwealth. Among the primary responsibilities of the Secretary are the direction and coordinated development of a statewide information infrastructure to facilitate efficient operation of the government and development of strategies to promote a technology workforce.

### Budget and Actual – Budgetary Basis For the Year Ended June 30, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
Available resources:			
General fund appropriations (See Schedule 1)	\$ 538,661	\$ 538,661	\$ -
Expenditures:			
Salaries and wages	358,032	332,197	25,835
Benefits	78,954	71,687	7,267
Contractual services	63,368	154,929	(91,561)
Supplies and materials	5,269	4,460	809
Transfer payments	-	2,097	(2,097)
Continuous charges	26,681	15,793	10,888
Equipment	6,357	30,241	(23,884)
Total expenditures	538,661	611,404	(72,743)
Available resources (under) expenditures	-	(72,743)	(72,743)
Transfers:			
To the Office of the Governor	-	(40,000)	(40,000)
From the Department of Information Technology	-	75,000	75,000
From the Department of Technology Planning	-	40,000	40,000
Total transfers	-	75,000	75,000
Unexpended balance	\$ -	\$ 2,257	\$ 2,257

## Secretary of Transportation

The Secretary works with the management and direction of transportation agencies, performing program coordination, policy planning, and budget formulation activities. The Secretary receives all operating funding directly from the Transportation Trust Funds. At year-end, the Virginia Department of Transportation transfers Transportation Trust Funds equal to the Secretary of Transportation's expenses.

### Budget and Actual – Budgetary Basis For the Year Ended June 30, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
Available resources:			
Transfer from Transportation Trust Fund	\$ 470,767	\$ 460,369	\$ (10,398)
Expenditures:			
Salaries and wages	286,256	301,953	(15,697)
Benefits	60,484	67,072	(6,588)
Contractual services	115,027	46,689	68,338
Supplies and materials	4,000	3,208	792
Continuous charges	5,000	1,265	3,735
Equipment	-	80	(80)
Other	-	102	(102)
Total expenditures	470,767	420,369	50,398
Available resources over expenditures	-	40,000	40,000
Transfer to the Office of the Governor	-	(40,000)	(40,000)
Unexpended balance	\$ -	\$ -	\$ -

Summary of General Fund Appropriations  
For the Year Ended June 30, 2000

Schedule 1

General Fund Appropriations	Administration	Commerce and Trade	Education	Finance
Original appropriation	\$ 911,472	\$ 559,425	\$ 538,443	\$ 453,613
Reappropriation of prior year balance	43,044	11,785	88,280	341,241
Salary regrade	49,604	32,843	30,755	27,229
Other appropriation adjustments	(3,273)	(2,832)	(4,222)	(2,251)
Total General Fund Appropriations	\$ 1,000,847	\$ 601,221	\$ 653,256	\$ 819,832

General Fund Appropriations	Health and Human Resources	Public Safety	Technology	Totals
Original appropriation	\$ 714,680	\$ 647,438	\$ 499,512	\$ 4,324,583
Reappropriation of prior year balance	132,355	149,506	17,635	783,846
Salary regrade	35,834	38,770	24,770	239,805
Other appropriation adjustments	(4,220)	(4,520)	(3,256)	(24,574)
Total General Fund Appropriations	\$ 878,649	\$ 831,194	\$ 538,661	\$ 5,323,660

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 **Governor's Cabinet Secretaries** 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 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 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 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 Division of Selected Agency Support Services properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System, except for the transfers that overstated or understated the expense category, Contractual Services. The Division records 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, the Governor's Cabinet Secretaries, 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

GOVERNOR'S CABINET SECRETARIES  
Richmond, Virginia

G. Bryan Slater, Secretary of Administration

Barry E. DuVal, Secretary of Commerce and Trade

Wilbert Bryant, Secretary of Education

Ronald L. Tillett, Secretary of Finance

Claude A. Allen, Secretary of Health and Human Resources

Donald W. Upson, Secretary of Technology

John Paul Woodley, Jr., Secretary of Natural Resources

Gary K. Aronhalt, Secretary of Public Safety

Shirley J. Ybarra, Secretary of Transportation

Division of Selected Agency Support Services

Dennis Johnson, Director of Finance



