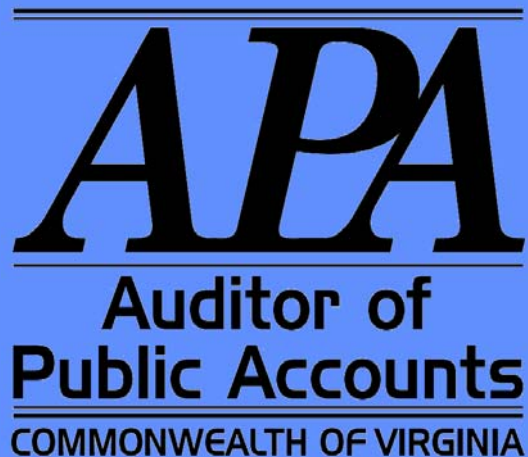


**THE GOVERNOR'S CABINET SECRETARIES**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2012**



## **AUDIT SUMMARY**

Our audit of the Governor's Cabinet Secretaries for the year ended June 30, 2012, 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 or other matters that are required to be reported.

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## FINANCIAL INFORMATION BY CABINET SECRETARY

### Introduction

The audit of the Governor's Cabinet Secretaries covers the agencies listed below. The Secretary of Administration's Division of Selected Agency Support Services provides administrative support for the Cabinet Secretaries' operations.

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

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 this report.

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

### Budget and Expense Summary for Fiscal Year 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>
Secretary of Administration	\$ 1,050,376	\$ 1,076,367	\$ 1,051,553
Secretary of Agriculture and Forestry	340,384	385,150	335,256
Secretary of Commerce and Trade	624,806	659,000	569,636
Secretary of Education	4,804,349	4,848,053	4,205,665
Secretary of Finance	420,423	496,508	494,618
Secretary of Health and Human Resources	2,180,700	783,605	660,199
Secretary of Natural Resources	691,029	803,599	756,548
Secretary of Public Safety	548,664	763,284	673,553
Secretary of Technology	490,271	641,083	607,301
Secretary of Transportation	799,426	809,426	809,357
Secretary of Veterans Affairs and Homeland Security	<u>1,241,376</u>	<u>1,364,666</u>	<u>1,233,943</u>
Total	<u>\$13,191,804</u>	<u>\$12,630,741</u>	<u>\$11,397,629</u>

The report has a section for each Secretary that summarizes 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 and their responsibilities.

### 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	Citizens Advisory Committee
Office of the Lieutenant Governor	Interstate Organization Contributions
Governor's Cabinet Secretaries	Office for Substance Abuse Prevention
Secretary of the Commonwealth	Virginia-Israel Advisory Board

The Secretary receives General Fund appropriations to fund office operations. The following tables summarize the budget and expenses for fiscal years 2011 and 2012.

#### Financial Summary for Fiscal Years 2011 and 2012

	<u>2011</u>	<u>2012</u>
Original budget	\$ 1,050,376	\$ 1,050,376
Final budget	\$ 1,128,054	\$ 1,076,367
Actual expenses	\$ 1,110,155	\$ 1,051,553

#### Budget and Expense Analysis for Fiscal Year 2012

Original appropriations	<u>\$1,050,376</u>
Adjustments:	
Transfer from Central Appropriations for salary and benefit changes and other amounts	13,854
Re-appropriation of prior year's unexpended balance	13,422
Other adjustments	<u>(1,285)</u>
Total adjusted appropriations	<u>1,076,367</u>
Expenses:	
Personal services	927,858
Continuous charges	85,760
Supplies and materials	40,396
Equipment	1,789
Contractual services	<u>(4,249)</u>
Total expenses	<u>1,051,553</u>
Unexpended balance	<u>\$ 24,814</u>

### Secretary of Agriculture and Forestry

This Secretary provides 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, and the Virginia Agricultural Council.

The Secretary receives General Fund appropriations to fund office operations. The following tables summarize the budget and expenses for fiscal years 2011 and 2012.

#### Financial Summary for Fiscal Years 2011 and 2012

	<u>2011</u>	<u>2012</u>
Original budget	\$ 340,384	\$ 340,384
Final budget	\$ 399,101	\$ 385,150
Actual expenses	\$ 345,085	\$ 335,256

#### Budget and Expense Analysis for Fiscal Year 2012

Original appropriations	<u>\$ 340,384</u>
Adjustments:	
Re-appropriation of prior year's unexpended balance	40,512
Transfer from Central Appropriations for salary and benefit changes and other amounts	3,753
Other Adjustments	<u>501</u>
Total adjusted appropriations	<u>385,150</u>
Expenses:	
Personal services	247,434
Contractual services	61,008
Continuous charges	23,170
Supplies and materials	2,570
Transfer payments	<u>1,075</u>
Total expenses	<u>335,256</u>
Unexpended balance	<u>\$ 49,894</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 formation activities. The Secretary receives General Fund appropriations to fund office operations. The following tables summarize the General Fund operating budget and expenses for fiscal years 2011 and 2012.

Financial Summary for Fiscal Years 2011 and 2012

	<u>2011</u>	<u>2012</u>
Original budget	\$ 624,806	\$ 624,806
Final budget	\$ 698,954	\$ 659,000
Actual expenditures	\$ 659,341	\$ 569,636

Budget and Expense Analysis for Fiscal Year 2012

Original appropriations	<u>\$624,806</u>
Adjustments:	
Re-appropriation of prior year's unexpended balance	29,709
Transfer from Central Appropriations for salary and benefit changes and other amounts	4,294
Other adjustments	<u>191</u>
Total adjusted appropriations	<u>\$659,000</u>
Expenses:	
Personal services	497,489
Continuous charges	39,735
Contractual services	27,772
Supplies and materials	2,928
Equipment	1,547
Transfer payments	<u>165</u>
Total expenses	<u>569,636</u>
Unexpended balance	<u>\$ 89,364</u>

In addition to the appropriations to fund office operations, the Secretary of Commerce and Trade received General Fund appropriations for specific purposes as required by the Appropriation Act which we discuss in more detail below. The Secretary also received General Fund appropriations and made grant payments totaling \$4 million for various programs including a \$2 million grant to aid the City of Richmond to secure the 2015 International Cycling Union Cycling Championship and a

\$1 million installment of a \$4 million grant to provide an incentive for the Washington Redskins to maintain practice facilities in Virginia. In addition, the Secretary received \$5 million from the Tobacco Indemnification and Revitalization Commission for the Major Employment and Investment (MEI) grant fund and awarded grants, totaling \$5 million from this fund in accordance with Section 2.2-2260 of the Code of Virginia.

Governor's Development Opportunity Fund

The Governor's Development Opportunity Fund (the Opportunity Fund) provides funds to attract economic development prospects and secure the expansion of existing industry in the Commonwealth. The Opportunity Fund receives a General Fund appropriation through the Secretary of Commerce and Trade, which allows the Governor to make grants to qualifying companies. These grants are contingent on the company meeting certain criteria required under the Code of Virginia, such as the creation of a certain number of jobs.

Several entities are involved in the process of awarding grants from the Opportunity Fund including the Virginia Economic Development Partnership (VEDP), the Secretary, and the Governor. VEDP conducts the initial reviews of the proposals for grants from the Opportunity Fund and the grants are subject to approval by the Secretary and the Governor.

Once the Governor has approved a grant or loan, the company will request the funds and the Opportunity Fund will disburse the monies to the locality, who then pays the funds to the company. The company has three years within which to meet the conditions of the grant. If it does not meet the terms of the grant, the company must return the funds to the Opportunity Fund. The following table summarizes activity in the Opportunity Fund for the last three fiscal years.

Summary of Opportunity Fund Activity (2010 – 2012)

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Beginning cash balance	\$ 26,396,363	\$ 31,089,017	\$ 45,027,097
Transfer in General Funds	12,500,000	23,911,055	11,811,055
Transfer out General Funds	-	-	(6,000,000)
Transfer in Non-General Funds	230,000	-	-
Interest earned	167,126	-	-
Amount repaid by companies	775,528	621,025	4,272,055
Payments to localities/companies	<u>(8,980,000)</u>	<u>(10,594,000)</u>	<u>(13,500,000)</u>
Ending cash balance	<u>\$ 31,089,017</u>	<u>\$ 45,027,097</u>	<u>\$ 41,610,207</u>



Over the last several years, the Opportunity Fund has accumulated a cash balance and as of June 30, 2012, the Fund had a cash balance of \$41.6 million. Of this balance amount, \$17.75 million represents funds committed to various companies but not yet paid, and \$18.91 million represents legal offers made to various companies where the company has not yet accepted or finalized the offer.

The cash balance is a result of the Commonwealth's funding approach of the Opportunity Fund, which the Code of Virginia requires. The Code of Virginia requires that the Governor cannot make future commitments unless the fund has a balance sufficient to pay them. Therefore, the Governor and the General Assembly must transfer funding into the Opportunity Fund before the Governor can make offers and commitments. Additionally, there is often a time lag of several years from the time when the Commonwealth makes its first commitment to the time when there is a requirement to make a payment.

#### Virginia Investment Partnership Grant Fund

The Secretary received \$2,367,329 and spent \$2,179,829 in General Funds for payments from the Virginia Investment Partnership Grant Fund. The Virginia Investment Partnership Grant Fund awards investment performance grants in accordance with Section 2.2-5101 of the Code of Virginia.

#### Governor's Motion Picture Opportunity Fund

The Governor can use these funds to attract film industry production activity to the Commonwealth. During the year, the Governor's Motion Picture Opportunity Fund received \$2,609,263 in General Funds, \$375,000 in Non-General Funds, and \$220,962 in revenues generated by a digital media fee, and made payments of \$1,600,000.

#### Semiconductor Memory or Logic Manufacturing Performance Grant Fund

The Secretary received and spent \$5,400,000 in General Funds for payments from the Semiconductor Memory or Logic Manufacturing Performance Grant Fund, which awards grants in accordance with Section 59.1-284.14.1 of the Code of Virginia.

#### Commonwealth Research Commercialization Fund

The Secretary received and spent \$1,248,962 in General Funds for payments from the Commonwealth Research Commercialization Fund. The Commonwealth Research Commercialization Fund awards research and technology grants in accordance with Section 2.2-2221 of the Code of Virginia.

### 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. In fiscal year 2011 the Secretary's office began administering funding for the Virginia Public Broadcasting Board (VPBB). The VPBB serves as a conduit of state financial support of public radio and television stations. During the 2012 session, the General Assembly passed legislation eliminating the VPBB and funding for the public broadcasting grants beginning in fiscal year 2013.

In fiscal year 2012 the Secretary's office also administered Virginia College Partnership Laboratory School Planning Grant awards to public institutions of higher education operating a teacher education program approved by the Virginia Board of Education. The Secretary of Education receives funding primarily from General Fund appropriations. The following tables summarize the General Fund operating budget and expenses for fiscal years 2011 and 2012.

#### Financial Summary for Fiscal Years 2011 and 2012

	<u>2011</u>	<u>2012</u>
Original budget	\$ 4,738,220	\$ 4,804,349
Final budget	\$ 4,767,626	\$ 4,848,053
Actual expenses	\$ 4,701,598	\$ 4,205,665

#### Budget and Expense Analysis for Fiscal Year 2012

Original appropriations	<u>\$4,804,349</u>
Adjustments:	
Re-appropriation of prior year's unexpended balance	49,521
Transfer to Central Appropriations for salary and benefit changes and other amounts	(5,275)
Transfer to Central Appropriations for new VITA rate structure	<u>(542)</u>
Total adjusted appropriations	<u>4,848,053</u>
Expenses:	
Public broadcasting grants	3,049,058
College Partnership Laboratory School Planning grants	602,418
Personal services	470,318
Contractual services	45,959
Continuous charges	33,505
Supplies and materials	3,538
Equipment	<u>869</u>
Total expenses	<u>4,205,665</u>
Unexpended balance	<u>\$ 642,388</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 to fund office operations. The following tables summarize the budget and expenses for fiscal years 2011 and 2012.

#### Financial Summary for Fiscal Years 2011 and 2012

	<u>2011</u>	<u>2012</u>
Original budget	\$ 420,423	\$ 420,423
Final budget	\$ 432,821	\$ 496,508
Actual expenses	\$ 432,401	\$ 494,618

#### Budget and Expense Analysis for Fiscal Year 2012

Original appropriations	<u>\$ 420,423</u>
Adjustments:	
Transfers from Secretary of Finance agencies to support operating costs	70,000
Transfer from Central Appropriations for salary and benefit changes and other amounts	6,064
Other adjustments	<u>21</u>
Total adjusted appropriations	<u>496,508</u>
Expenses:	
Personal services	479,990
Contractual services	7,603
Continuous charges	6,195
Supplies and materials	<u>830</u>
Total expenses	<u>494,618</u>
Unexpended balance	<u>\$ 1,890</u>

In addition to the appropriations to fund office operations, the Secretary of Finance also received General Fund appropriations and made payments of \$12,564,069 related to the 2005 Base Realignment and Closure Commission (BRAC). In order to address and coordinate BRAC implementation, the 2005 General Assembly established the Virginia National Defense Industrial Authority (VNDIA) to assist Virginia installations and communities in implementing and responding to BRAC recommendations. The Secretary's office processes VNDIA payments to affected localities and other entities as specified in the Appropriation Act. Beginning in fiscal year 2013, the Department of Veterans Affairs will assume responsibility of implementing and responding to BRAC recommendations as a result of legislation the General Assembly passed during the 2012 session abolishing VNDIA.

### Secretary of Health and Human Resources

The Secretary acts on behalf of the Governor in the management and direction of health and human resource agencies and provides program coordination, policy planning, and budget formulation activities. The Secretary primarily receives General Fund appropriations to fund office operations. The original budget for fiscal years 2011 and 2012 includes \$900,000 and \$846,000 respectively, to fund child advocacy center initiatives. The Secretary transfers these funds to the Department of Social Services for child advocacy centers. In addition, the Secretary also transferred \$580,118 to the Department of Social Services for a performance audit by an independent contractor. The following tables summarize budget and expenses for fiscal years 2011 and 2012.

#### Financial Summary for Fiscal Years 2011 and 2012

	<u>2011</u>	<u>2012</u>
Original budget	\$1,534,700	\$2,180,700
Final budget	\$ 954,532	\$ 783,605
Actual expenses	\$ 789,416	\$ 660,199

#### Budget and Expense Analysis for Fiscal Year 2012

Original appropriations	<u>\$2,180,700</u>
Adjustments:	
Transfer to Department of Social Services for child advocacy centers	(846,000)
Transfer to the Department of Social Services for performance audit by independent contractor	(580,118)
Transfer from Department of Medical Assistance Services to fund Director of Health Reform Initiative position	21,632
Transfer from Central Appropriations for salary and benefit changes and other amounts	6,382
Other adjustments	<u>1,009</u>
Total adjusted appropriations	<u>783,605</u>
Expenses:	
Personal services	576,909
Continuous charges	60,255
Contractual services	16,506
Supplies and materials	3,609
Transfer payments	2,940
Equipment	<u>(20)</u>
Total expenses	<u>660,199</u>
Unexpended balance	<u>\$ 123,406</u>

### Secretary of Natural Resources

The Secretary acts on behalf of the Governor in the management and direction of natural resource agencies and provides program coordination, policy planning, and budget formulation activities. The Secretary primarily receives General Fund appropriations to fund office operations. During fiscal year 2012, the Secretary received \$97,773 in federal funds through the Department of Conservation and Recreation to fund the Assistant Secretary position established to lead the Commonwealth's Chesapeake Bay restoration efforts. The original budget includes General funds totaling \$69,370 for the Council on Indians Support Services. The following tables summarize the budget and expenses for fiscal years 2011 and 2012.

#### Financial Summary for Fiscal Years 2011 and 2012

	<u>2011</u>	<u>2012</u>
Original budget	\$ 591,029	\$ 691,029
Final budget	\$ 774,618	\$ 803,599
Actual expenses	\$ 723,958	\$ 756,548

#### Budget and Expense Analysis for Fiscal Year 2012

Original appropriations	<u>\$691,029</u>
Adjustments:	
Transfer from Central Appropriations for the City of Franklin for localities impacted by the Chowan River Basin flooding	80,000
Re-appropriation of prior year unexpended general fund balance	23,449
Transfer from Central Appropriations for salary and benefit changes and other amounts	9,583
Other adjustments	<u>(462)</u>
Total adjusted appropriations	<u>803,599</u>
Expenses:	
Personal services	613,610
Transfer payments	80,000
Continuous charges	34,252
Contractual services	26,900
Supplies and materials	1,006
Equipment	<u>780</u>
Total expenses	<u>756,548</u>
Unexpended balance	<u>\$ 47,051</u>

Secretary of Public Safety

The Secretary acts on behalf of the Governor in the management and direction of 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 fiscal years 2011 and 2012.

Financial Summary for Fiscal Years 2011 and 2012

	<u>2011</u>	<u>2012</u>
Original budget	\$ 548,664	\$ 548,664
Final budget	\$ 727,672	\$ 763,284
Actual expenses	\$ 651,028	\$ 673,553

Budget and Expense Analysis for Fiscal Year 2012

Original appropriations	<u>\$548,664</u>
Adjustments:	
Transfer from Department of Corrections to fund Coordinator of Offender Re-entry position	150,000
Re-appropriation of prior year's unexpended balances	57,482
Transfer from Central Appropriations for salary and benefit changes and other amounts	<u>7,138</u>
Total adjusted appropriations	<u>763,284</u>
Expenses:	
Personal services	602,925
Continuous charges	50,796
Contractual services	16,465
Supplies and materials	3,117
Transfer payments	<u>250</u>
Total expenses	<u>673,553</u>
Unexpended balance	<u>\$ 89,731</u>

### Secretary of Technology

The Secretary develops, monitors, and directs the Commonwealth's technology strategy and assists in technology-based innovation and economic development. The Secretary oversees two agencies: Virginia's Center for Innovative Technology and the Virginia Information Technologies Agency (VITA).

The Secretary receives General Fund appropriations to fund office operations. The following tables summarize the budget and expenses for fiscal years 2011 and 2012.

#### Financial Summary for Fiscal Years 2011 and 2012

	<u>2011</u>	<u>2012</u>
Original budget	\$ 490,271	\$ 490,271
Final budget	\$ 667,354	\$ 641,083
Actual expenses	\$ 613,205	\$ 607,301

#### Budget and Expense Analysis for Fiscal Year 2012

Original appropriations	<u>\$ 490,271</u>
Adjustments:	
Transfer from Central Appropriations for the Governor's Social Media SharePoint Initiative	103,926
Re-appropriation of prior year's unexpended balance	40,611
Transfer from Central Appropriations for salary and benefit changes and other amounts	6,696
Other adjustments	<u>(421)</u>
Total adjusted appropriations	<u>641,083</u>
Expenses:	
Personal services	430,051
Contractual services	141,385
Continuous charges	35,585
Supplies and materials	<u>280</u>
Total expenses	<u>607,301</u>
Unexpended balance	<u>\$ 33,782</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. The following tables summarize the budget and expenses for fiscal years 2011 and 2012.

Financial Summary for Fiscal Years 2011 and 2012

	<u>2011</u>	<u>2012</u>
Original budget	\$ 624,426	\$ 799,426
Final budget	\$ 641,676	\$ 809,426
Actual expenses	\$ 640,332	\$ 809,357

Budget and Expense Analysis for Fiscal Year 2012

Original appropriations	<u>\$799,426</u>
Adjustments:	
Nongeneral Fund increase to fund office operations	<u>10,000</u>
Total adjusted appropriations	<u>809,426</u>
Expenses:	
Personal services	767,474
Contractual services	30,537
Supplies and material	4,895
Transfer payments	3,402
Continuous charges	2,299
Equipment	<u>750</u>
Total expenses	<u>809,357</u>
Unexpended balance	<u>\$ 69</u>



### Secretary of Veterans Affairs and Homeland Security

The General Assembly passed legislation during the 2011 session creating the Secretary of Veterans Affairs and Homeland Security. As part of this legislation, activity that was previously reported under the Office of Commonwealth Preparedness is now organized under this Secretary along with the Department of Veterans Services and Virginia War Memorial.

The Secretary works with federal, state, and local officials, as well as the private sector, to develop a coordinated security and preparedness strategy and implementation plan. The Secretary serves as the liaison between the Governor and the federal government as well as local governments and first responders on emergency prevention, preparedness, response, and recovery issues. In addition, the Secretary monitors and enhances efforts to provide assistance and support to veterans living in the Commonwealth. The Secretary also promotes industrial and economic development of localities in or adjacent to United States government military and other national or Commonwealth defense activities.

The Secretary receives a General Fund appropriation and federal funds through the Department of Emergency Management. The following tables summarize the budget and expenses for fiscal years 2011 and 2012.

#### Financial Summary for Fiscal Years 2011 and 2012

	<u>2011</u>	<u>2012</u>
Original budget	\$ 1,041,376	\$ 1,241,376
Final budget	\$ 1,261,897	\$ 1,364,666
Actual expenses	\$ 1,207,416	\$ 1,233,943

#### Budget and Expense Analysis for Fiscal Year 2012

Original appropriations	<u>\$1,241,376</u>
Adjustments:	
Transfer from Department of Emergency Management to fund positions for Joint Forces command disestablishment efforts in Hampton Roads	116,000
Transfer from Central Appropriations for salary and benefit changes and other amounts	5,366
Transfer from Central Appropriations for new VITA rate structure	<u>1,924</u>
Total adjusted appropriations	<u>\$1,364,666</u>
Expenses:	
Personal services	1,090,271
Contractual services	73,570
Continuous charges	43,517
Supplies and materials	20,418
Transfer payments	5,819
Equipment	<u>348</u>
Total expenses	<u>1,233,943</u>
Unexpended balance	<u>\$ 130,723</u>



# Commonwealth of Virginia

## *Auditor of Public Accounts*

Walter J. Kucharski  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

October 12, 2012

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable John M. O'Bannon, III  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Governor's Cabinet Secretaries** for the year ended June 30, 2012. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System, review the adequacy of the agencies' internal controls, and test compliance with applicable laws and regulations.

### Audit Scope and Methodology

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.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and 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.

Expenses, including payroll  
Grant payments  
Revenues  
Appropriations

We performed audit tests to determine whether the agencies' 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 Secretaries properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Office records the agencies 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 result 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 November 5, 2012.

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.

AUDITOR OF PUBLIC ACCOUNTS

SAH/alh

GOVERNOR'S CABINET SECRETARIES

As of June 30, 2012

Lisa Hicks-Thomas, Secretary of Administration

Todd P. Haymore, Secretary of Agriculture and Forestry

James S. Cheng, Secretary of Commerce and Trade

Laura W. Fornash, Secretary of Education

Richard D. Brown, Secretary of Finance

Dr. William A. Hazel, Jr., Secretary of Health and Human Resources

Douglas W. Domenech, Secretary of Natural Resources

Marla Graff Decker, Secretary of Public Safety

James D. Duffey, Jr., Secretary of Technology

Sean T. Connaughton, Secretary of Transportation

Terrie L. Suit, Secretary of Veterans Affairs and Homeland Security

DIVISION OF SELECTED AGENCY SUPPORT SERVICES

Dennis M. Johnson, Director