

OFFICE OF THE GOVERNOR

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2009**



AUDIT SUMMARY

Our audit of the Office of the Governor for the year ended June 30, 2009, 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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AGENCY BACKGROUND AND FINANCIAL INFORMATION

The Governor has responsibility for managing the executive branch of the government, serving as Chief of State, and acting as the Commander-in-Chief of the Virginia National Guard. The Division of Selected Agency Support Services in the Office of the Secretary of Administration provides administrative support to the Governor's Office.

The Governor's Office (Office) receives most of its funding through General Fund appropriations. The schedule below summarizes budget and actual activity for the last two years. The original budget increased from 2008 to 2009 for prior year's salary and fringe benefit increases and additional funding for a Senior Advisor for Workforce Development position approved by the 2006 General Assembly. The increase from the original to final budget in 2009 is due to a shift in funding for some Commonwealth Preparedness activities from general funds to federal funds. The Governor's Office showed the increase in federal appropriations centrally instead of recording the increase in the Office of Commonwealth Preparedness. This method of recording the appropriation increase results in showing an overstatement in the Governor's appropriation at the end of the year. The Governor's Office recorded no expenses against this appropriation.

Budget Analysis for Fiscal Years 2008-2009

	<u>2008</u>	<u>2009</u>	<u>Proposed 2010</u>
Original budget	\$4,379,423	\$4,930,515	\$3,986,762
Final budget	\$4,777,802	\$5,205,902	-
Actual expenses	\$4,773,834	\$4,416,824	-

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

Budget and Expense Analysis for Fiscal Year 2009

Original appropriations per Chapter 879	<u>\$4,930,515</u>
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Adjustments:

Increase in Federal funds to offset General Fund reduction for Commonwealth Preparedness (reduction in General Funds is recorded under the Office of Commonwealth Preparedness)	394,964
Transfer to Central Appropriations in accordance with 2009 budget reduction plan	(147,198)
Transfer from Central Appropriations to provide operating and maintenance costs for the Capitol and General Assembly buildings	26,565
Re-appropriation of prior year's unexpended balance	3,966
Adjustment for reduction in state employee sickness and disability contribution rate	(3,625)
Transfer from the Department of General Services for real estate surcharge rates	<u>715</u>

Total adjusted appropriations	<u>5,205,902</u>
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Expenses:

Personal services	3,565,082
Continuous charges	433,678
Contractual services	285,590
Supplies and materials	125,588
Property and equipment	6,852
Transfer payments	<u>34</u>

Total expenses	<u>\$4,416,824</u>
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Unexpended balance	<u>\$ 789,078</u>
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The Office receives its funding and records transactions under four separate programs, the largest of which is Administrative and Support Services. The Administrative and Support Services Program includes most of the operations of the Office as shown in the following table; however, the Office does receive funding for two other programs discussed in more detail below.

Budget and Expense Analysis for Fiscal Year 2009 by Program

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>
Administrative and Support Services	\$4,017,496	\$3,897,833	\$3,526,497
Historic and Commemorative Attraction Management	452,584	452,669	432,498
Governmental Affairs Services	460,435	460,436	457,829
Disaster Planning and Operations	-	-	-
Executive Management	-	394,964	-
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$4,930,515</u>	<u>\$5,205,902</u>	<u>\$4,416,824</u>

The Office implemented a budget reduction strategy during the year, which resulted in actual expenses being less than the final budget. In addition, the final budget in the Executive Management program was overstated in the Office's budget as already discussed above.

The Governor also serves as Chair of an outside organization. Any expenses incurred by the Governor directly on behalf of this organization are paid directly by the organization except as follows. The Executive Protection Unit, which is part of the Department of State Police, tracks any travel expenses related to the Governor's involvement with the outside organization and receives semi-annual reimbursement for these expenses from the organization. Tracking of these expenses is part of the State Police's normal accounting system used to bill other organizations, including the Federal government and other state agencies, for services rendered.

Historic and Commemorative Attraction Management

This program covers the costs of operating the Executive Mansion. The majority of expenses under this program are payroll expenses for four employees on staff at the Executive Mansion. These payroll expenses totaled approximately \$332,871 in 2009.

Governmental Affairs Services

Under this program, formerly the Virginia Liaison Office, staff track federal legislation and pronouncements on behalf of the Commonwealth of Virginia. This keeps the Commonwealth and its localities informed of any actions that may affect either entity. This program receives both General Fund appropriations and some Commonwealth Transportation funds. The majority of expenses are personnel costs, which totaled approximately \$342,488 in 2009.

Disaster Planning and Operation

The Office also receives a "sum sufficient" General Fund appropriation under the Disaster Planning and Operation program. In any given year, various natural disasters can strike Virginia, resulting in the Governor declaring numerous localities as disaster areas. To address damage and recovery from the disasters, the Department of Emergency Management requests and receives General Fund appropriations from the Disaster Planning and Operation program. The Appropriation Act originally includes these funds in Central Appropriations, which the Governor authorizes and then transfers to the Department of Emergency Management.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

September 16, 2009

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

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of the **Office of the Governor** for the year ended June 30, 2009. 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 Office's internal controls, and test compliance with applicable laws and regulations.

Audit Scope and Methodology

The Office's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

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

We performed audit tests to determine whether the Office's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of

applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Office's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that the Office properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Office records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Exit Conference and Report Distribution

We discussed this report with management on September 21, 2009.

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

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OFFICE OF THE GOVERNOR

As of June 30, 2009

Timothy M. Kaine, Governor

DIVISION OF SELECTED AGENCY SUPPORT SERVICES

Dennis M. Johnson, Director