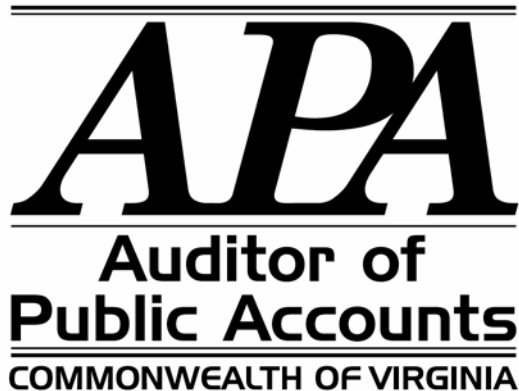


**OFFICE OF THE GOVERNOR**

**RICHMOND, VIRGINIA**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2004**



## **AUDIT SUMMARY**

Our audit of the Office of the Governor for the year ended June 30, 2004, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting system;
- no material weaknesses in internal controls; and
- no instances of noncompliance with applicable laws and regulations that are required to be reported.

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
AGENCY BACKGROUND	1-2
INDEPENDENT AUDITOR'S REPORT	3-4
OFFICE OF THE GOVERNOR	5

## AGENCY BACKGROUND

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.

### Office Operations

The Governor's Office receives its funding through an appropriation from the General Fund of the Commonwealth. Since fiscal year 2000, the Governor's Office has received supplemental funding for unbudgeted operating expenses. During fiscal year 2000, the Governor's Office received fund transfers from the other Cabinet Secretaries' Offices to offset expenses in this office. In response to a finding in the fiscal year 2000 audit, the Governor's Office began receiving the additional funding in the form of supplemental appropriations.

The need for additional funds to cover unbudgeted expenses has consistently occurred over the last several years. As a result, the budget shown in the Appropriations Act has not been an accurate projection of the actual expenses of the Governor's Office. As we recommended in our prior report, the Governor's Budget Bill should reflect the actual expenses of the Office. The table below shows the original budget, final budget, and actual expense of the Governor's Office for last five fiscal years.

### Budget Analysis for Fiscal Years 2000- 2004

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Original budget	\$2,267,323	\$2,378,854	\$2,379,597	\$2,427,764	\$1,971,396
Final budget	\$3,116,338	\$3,055,171	\$3,721,386	\$3,783,643	\$3,443,546
Actual Expenses	\$3,103,208	\$3,050,441	\$3,694,344	\$3,739,769	\$3,442,112

Source: Commonwealth Accounting and Reporting System

In fiscal year 2004, the Governor's Office received supplemental appropriations through the Secretary of the Commonwealth's office as well as Central Appropriations to cover "necessary unbudgeted expenses." These adjustments are included in the table on the following page that details fiscal year 2004 budget adjustments and expenses. The majority of the expenses of the Governor's Office are payroll and fringe benefit expenses for its 26 employees.

Budget and Expense Analysis for Fiscal year 2004

Original appropriations per Chapter 1042	\$ 1,971,396
Reductions per Chapter 943	<u>(1,628)</u>

Appropriations per Chapter 943	1,969,768
--------------------------------	-----------

Adjustments:

Supplemental appropriations for unbudgeted expenses from Secretary of the Commonwealth	1,068,197
Supplemental appropriations for unbudgeted expenses from Central Appropriations	317,102
Other adjustments	<u>88,479</u>

Total adjusted appropriations	\$ 3,443,546
-------------------------------	--------------

Expenses:

Salaries and fringe benefits	2,816,304
Contractual services	328,115
Continuous charges	160,856
Supplies and materials	119,131
Property and equipment	16,937
Transfer payments	<u>769</u>

Total expenses	<u>3,442,112</u>
----------------	------------------

Unexpended balance	<u><u>\$ 1,434</u></u>
--------------------	------------------------

Disaster Planning and Operation

The Governor's Office also has access to a "sum sufficient" appropriation under the Disaster Planning and Operation program, and the table above does not include this program. Under this program, the Governor directs the use of these funds for planning and conducting operations to protect people and property from natural and manmade disasters. In fiscal year 2004, Hurricane Isabel struck Virginia, resulting in the Governor declaring several localities disaster areas. To address damage and recovery from the storm, the Department of Emergency Management requested and received general fund appropriations through the Disaster Planning and Operation program. During the fiscal year, the Governor's office transferred \$53.7 million to Emergency Management through this program.



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

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

August 30, 2004

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 **Office of the Governor** for the year ended June 30, 2004. We conducted our audit in accordance with Government Auditing Standards, 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 recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Office's internal control, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Office's operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Expenditures  
Appropriations

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Office's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

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

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

### Audit Conclusions

We found that the Office properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. 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 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 the 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 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 2, 2004.

AUDITOR OF PUBLIC ACCOUNTS

LCR:whb  
whb:25

OFFICE OF THE GOVERNOR  
Richmond, Virginia

As of June 30, 2004

Mark R. Warner, Governor

Division of Selected Agency Support Services

Dennis M. Johnson, Director



