

THE GOVERNOR'S CABINET SECRETARIES

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2010**



AUDIT SUMMARY

Our audit of the Governor's Cabinet Secretaries for the year ended June 30, 2010, 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.

– TABLE OF CONTENTS –

Pages

AUDIT SUMMARY

FINANCIAL INFORMATION BY CABINET SECRETARY:

Introduction	1
Budget and Expense Summary for Fiscal Year 2010	1
Secretary of Administration	2-3
Secretary of Agriculture and Forestry	4
Secretary of Commerce and Trade	5-7
Secretary of Education	8
Secretary of Finance	9
Secretary of Health and Human Resources	10
Secretary of Natural Resources	11
Secretary of Public Safety	12
Secretary of Technology	13
Secretary of Transportation	14

INDEPENDENT AUDITOR'S REPORT	15-16
------------------------------	-------

AGENCY OFFICIALS	17
------------------	----

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 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

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.

During fiscal year 2010, most of the Governor's Cabinet Secretaries' budgets decreased in accordance with the Governor's budget reduction plans. The original budget for the Office of the Governor includes all of the budget reductions for the Secretaries. Therefore, during the year the various Secretaries transferred appropriations to the Office of Governor to offset the reductions. The following table summarizes the budget and expenses for each Secretary.

Budget and Expense Summary for Fiscal Year 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>
Secretary of Administration	\$ 5,983,557	\$ 6,258,878	\$ 6,206,889
Secretary of Agriculture and Forestry	447,339	343,232	294,167
Secretary of Commerce and Trade	831,041	718,625	664,701
Secretary of Education	651,203	630,094	572,316
Secretary of Finance	654,846	462,595	462,507
Secretary of Health and Human Resources	1,801,650	645,843	523,779
Secretary of Natural Resources	667,714	724,484	719,427
Secretary of Public Safety	805,651	626,604	566,002
Secretary of Technology	543,501	668,698	611,040
Secretary of Transportation	<u>775,126</u>	<u>775,126</u>	<u>593,976</u>
Total	<u>\$13,161,628</u>	<u>\$11,854,179</u>	<u>\$11,214,804</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	Interstate Organization Contributions
Office of the Lieutenant Governor	Office for Substance Abuse Prevention
Offices of the Governor's Cabinet Secretaries	Office of Commonwealth Preparedness
Citizens Advisory Committee	Virginia-Israel Advisory Board

The Secretary's office also administers funding for the Virginia Public Broadcasting Board (VPBB). 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. The following table summarize the budget and expenses for the Secretary for fiscal years 2009 and 2010.

Financial Summary for Fiscal Years 2009 and 2010

	<u>2009</u>	<u>2010</u>
Original budget	\$7,624,276	\$5,983,557
Final budget	\$7,331,394	\$6,258,878
Actual expenses	\$7,204,398	\$6,206,889

Item 475.5 of Chapter 781 of the 2009 Acts of Assembly authorized use of federal American Recovery and Reinvestment Act of 2009 (ARRA) fiscal stabilization funds for certain activities. After the conclusion of the 2009 General Assembly session, additional information became available from the federal government indicating the Commonwealth could not use the ARRA fiscal stabilization funds to support the programs as appropriated in Chapter 781. Therefore, in September 2009 Governor Kaine authorized, in consultation with House Appropriations and Senate Finance Committee staff, a \$59.7 million deficit loan to address the needs of the programs included in Item 475.5 until the General Assembly could amend the appropriations during the 2010 session. The adjustments related to the deficit loan are included in the following analysis.

Budget and Expense Analysis for Fiscal Year 2010

Original appropriations per Chapter 781	<u>\$ 5,983,557</u>
Adjustments:	
Deficit loan related to ARRA funding	59,728,401
Transfers to various agencies from deficit loan	(40,748,706)
Transfer to planned reversion for unused portion of deficit loan	(18,979,695)
Amended appropriation per Governor's veto of the reduction of funding in the Financial Assistance for Cultural and Artistic Affairs program	1,000,000
Adjustment for Workforce Transition Act and other transition expenses	39,926
Re-appropriation of prior year's unexpended balance	126,994
Transfer to Governor's Office for budget reductions	(275,847)
Additional budget reductions and reversions	(573,084)
Adjustment for state employee furlough and suspension of employee benefit and retirement contribution payments	(27,916)
Adjustment for changes in employee benefits costs	<u>(14,752)</u>
Total adjusted appropriations	<u>6,258,878</u>
Expenses:	
Personal services	904,636
Contractual services	17,100
Continuous charges	112,226
Supplies and materials	20,111
Property and equipment	1,825
Public broadcasting grants	<u>5,150,991</u>
Total expenses	<u>6,206,889</u>
Unexpended balance	<u>\$ 51,989</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 the Secretary for fiscal years 2009 and 2010.

Financial Summary for Fiscal Years 2009 and 2010

	<u>2009</u>	<u>2010</u>
Original budget	\$ 449,174	\$ 447,339
Final budget	\$ 386,431	\$ 343,232
Actual expenses	\$ 285,548	\$ 294,167

Budget and Expense Analysis for Fiscal Year 2010

Original appropriations per Chapter 781	<u>\$ 447,339</u>
---	-------------------

Adjustments:

Adjustment for Workforce Transition Act expenses	9,671
Re-appropriation of prior year's unexpended balance	100,883
Transfer to Governor's Office to reflect budget reductions	(100,883)
Designated reversions from agency appropriations	(102,313)
Adjustment for state employee furlough and suspension of employee benefit and retirement contribution payments	(6,823)
Adjustment for changes in employee benefits costs	<u>(4,642)</u>

Total adjusted appropriations	<u>343,232</u>
-------------------------------	----------------

Expenses:

Personal services	237,462
Contractual services	18,606
Continuous charges	36,865
Supplies and materials	1,196
Equipment	<u>38</u>

Total expenses	<u>294,167</u>
----------------	----------------

Unexpended balance	<u>\$ 49,065</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 the Secretary for fiscal years 2009 and 2010.

Financial Summary for Fiscal Years 2009 and 2010

	<u>2009</u>	<u>2010</u>
Original budget	\$ 834,355	\$ 831,041
Final budget	\$ 765,968	\$ 718,625
Actual expenditures	\$ 691,648	\$ 664,701

Budget and Expense Analysis for Fiscal Year 2010

Original appropriations per Chapter 781	<u>\$831,041</u>
Adjustments:	
Adjustment for Workforce Transition Act expenses	50,413
Re-appropriation of prior year's unexpended balance	74,320
Transfer to Governor's Office to reflect budget reductions	(211,256)
Adjustment for state employee furlough and suspension of employee benefit and retirement contribution payments	(16,254)
Adjustment for changes in employee benefits costs	<u>(9,639)</u>
Total adjusted appropriations	<u>718,625</u>
Expenses:	
Personal services	531,262
Contractual services	61,156
Supplies and materials	4,117
Transfer payments	31
Continuous charges	66,683
Equipment	<u>1,452</u>
Total expenses	<u>664,701</u>
Unexpended balance	<u>\$ 53,924</u>

In addition to the appropriations to fund office operations, the Secretary of Commerce and Trade also received General Fund appropriations for specific purposes as required by the Appropriation Act which we discuss in more detail below. The Secretary also received and made

grant payments of \$4 million from Central Appropriations to provide an incentive for the location of a research-related entity in the Commonwealth.

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 (2008 – 2010)

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Beginning cash balance	\$ 36,663,703	\$ 27,252,714	\$ 26,396,363
Transfer in General Funds	750,000	7,600,000	12,500,000
Transfer in Non-General Funds	-	-	230,000
Interest earned	1,587,011	680,305	167,126
Amount repaid by companies	862,000	438,343	775,528
Payments to localities/companies	<u>(12,610,000)</u>	<u>(9,575,000)</u>	<u>(8,980,000)</u>
Ending cash balance	<u>\$ 27,252,714</u>	<u>\$ 26,396,363</u>	<u>\$ 31,089,017</u>

Over the last several years, the Opportunity Fund has accumulated a cash balance; as of June 30, 2010, the Fund had a cash balance of \$31.1 million. Of this balance amount, \$9.5 million represents funds committed to various companies but not yet paid, and \$20 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 and spent General Funds for payments from the Virginia Investment Partnership Grant Fund totaling \$1,081,006. 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 \$200,000 in General Funds and approximately \$260,000 in revenues generated by a digital media fee, and made payments of \$23,000.

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. The following tables summarize the General Fund budget for fiscal years 2009 and 2010, as well as expenses for fiscal years 2009 and 2010.

Financial Summary for Fiscal Years 2009 and 2010

	<u>2009</u>	<u>2010</u>
Original budget	\$ 654,068	\$ 651,203
Final budget	\$ 646,415	\$ 630,094
Actual expenses	\$ 552,903	\$ 572,316

Budget and Expense Analysis for Fiscal Year 2010

Original appropriations per Chapter 781	<u>\$651,203</u>
Adjustments:	
Transfer in to provide for Workforce Transition Act expenses	42,383
Re-appropriation of prior year's unexpended balance	93,512
Transfer to Governor's Office to reflect budget reductions	(93,512)
Budget reductions in accordance with Governor's plan	(42,103)
Adjustment for state employee furlough and suspension of employee benefit and retirement contribution payments	(13,430)
Adjustment for changes in employee benefits costs	<u>(7,959)</u>
Total adjusted appropriations	<u>630,094</u>
Expenses:	
Personal services	464,948
Contractual services	22,603
Continuous charges	79,807
Supplies and materials	3,769
Equipment	<u>1,189</u>
Total expenses	<u>572,316</u>
Unexpended balance	<u>\$ 57,778</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 the Secretary for fiscal years 2009 and 2010.

Financial Summary for Fiscal Years 2009 and 2010

	<u>2009</u>	<u>2010</u>
Original budget	\$ 657,466	\$ 654,846
Final budget	\$ 587,536	\$ 462,596
Actual expenses	\$ 569,165	\$ 462,506

Budget and Expense Analysis for Fiscal Year 2010

Original appropriations per Chapter 781	<u>\$ 654,846</u>
Adjustments:	
Adjustment for Workforce Transition Act expenses	5,725
Re-appropriation of prior year's unexpended balance	18,371
Transfer to Governor's Office to reflect budget reductions	(195,156)
Adjustment for state employee furlough and suspension of employee benefit and retirement contribution payments	(13,193)
Adjustment for changes in employee benefits costs	<u>(7,997)</u>
Total adjusted appropriations	<u>462,596</u>
Expenses:	
Personal services	431,650
Contractual services	7,487
Continuous charges	23,094
Supplies and materials	<u>275</u>
Total expenses	<u>462,506</u>
Unexpended balance	<u><u>\$ 90</u></u>

In addition to the appropriations to fund office operations, the Secretary of Finance also received General Fund appropriations and made payments of \$14,518,048 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 Appropriations Act. The current year payment amount includes a \$10 million payment to VNDIA to manage a grant related to the retention of the Defense Advanced Research Projects Agency.

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 receives General Fund appropriations to fund office operations. The original budget for fiscal years 2009 and 2010 includes \$1,000,000 and \$950,000 respectively, to fund child advocacy center initiatives. The Secretary transfers these funds to the Department of Social Services for child advocacy centers. The following tables summarize budget and expenses for the Secretary for fiscal years 2009 and 2010.

Financial Summary for Fiscal Years 2009 and 2010

	<u>2009</u>	<u>2010</u>
Original budget	\$1,804,722	\$1,801,650
Final budget	\$ 762,930	\$ 645,843
Actual expenses	\$ 565,693	\$ 523,779

Budget and Expense Analysis for Fiscal Year 2010

Original appropriations per Chapter 781	<u>\$1,801,650</u>
Adjustments:	
Adjustment for Workforce Transition Act expenses	23,464
Re-appropriation of prior year's unexpended balance	197,237
Transfer to Governor's Office to reflect budget reductions	(355,930)
Transfer to the Department of Social Services for child advocacy centers	(950,000)
Additional budget reductions in Chapter 872	(50,000)
Adjustment for state employee furlough and suspension of employee benefit and retirement contribution payments	(12,321)
Adjustment for changes in employee benefits costs	<u>(8,257)</u>
Total adjusted appropriations	<u>645,843</u>
Expenses:	
Personal services	435,123
Contractual services	11,549
Continuous charges	71,732
Supplies and materials	2,375
Transfer payments	2,112
Equipment	<u>888</u>
Total expenses	<u>523,779</u>
Unexpended balance	<u>\$ 122,064</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 receives General Fund appropriations to fund office operations. 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 the Secretary for fiscal years 2009 and 2010.

Financial Summary for Fiscal Years 2009 and 2010

	<u>2009</u>	<u>2010</u>
Original budget	\$ 670,332	\$ 667,714
Final budget	\$ 722,102	\$ 724,484
Actual expenses	\$ 655,401	\$ 719,427

Budget and Expense Analysis for Fiscal Year 2010

Original appropriations per Chapter 781	<u>\$667,714</u>
Adjustments:	
Adjustment for Workforce Transition Act expenses	80,997
Re-appropriation of prior year's unexpended balance	66,701
Transfer to Governor's Office to reflect budget reductions	(66,701)
Adjustment for state employee furlough and suspension of employee benefit and retirement contribution payments	(15,356)
Adjustment for changes in employee benefits costs	<u>(8,871)</u>
Total adjusted appropriations	<u>724,484</u>
Expenses:	
Personal services	641,638
Contractual services	19,572
Continuous charges	55,580
Supplies and materials	1,537
Equipment	<u>1,100</u>
Total expenses	<u>719,427</u>
Unexpended balance	<u>\$ 5,057</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 the Secretary for fiscal years 2009 and 2010.

Financial Summary for Fiscal Years 2009 and 2010

	<u>2009</u>	<u>2010</u>
Original budget	\$ 808,441	\$ 805,651
Final budget	\$ 728,893	\$ 626,604
Actual expenses	\$ 534,480	\$ 566,002

Budget and Expense Analysis for Fiscal Year 2010

Original appropriations per Chapter 781	<u>\$805,651</u>
Adjustments:	
Adjustment for Workforce Transition Act expenses	33,800
Re-appropriation of prior year's unexpended balance	194,413
Transfer to Governor's Office to reflect budget reductions	(285,236)
Designated reversions from agency appropriations	(101,338)
Adjustment for state employee furlough and suspension of employee benefit and retirement contribution payments	(12,461)
Adjustment for changes in employee benefits costs	<u>(8,225)</u>
Total adjusted appropriations	<u>626,604</u>
Expenses:	
Personal services	471,758
Contractual services	5,309
Continuous charges	84,901
Supplies and materials	2,629
Equipment	<u>1,405</u>
Total expenses	<u>566,002</u>
Unexpended balance	<u>\$ 60,602</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 the Secretary for fiscal years 2009 and 2010.

Financial Summary for Fiscal Years 2009 and 2010

	<u>2009</u>	<u>2010</u>
Original budget	\$ 545,683	\$ 543,501
Final budget	\$ 675,683	\$ 668,698
Actual expenses	\$ 617,394	\$ 611,040

Budget and Expense Analysis for Fiscal Year 2010

Original appropriations per Chapter 781	<u>\$543,501</u>
Adjustments:	
Transfer from Central Appropriations to provide funding for the Executive Director of the Productivity Investment Fund	123,750
Adjustment for Workforce Transition Act expenses	19,398
Re-appropriation of prior year's unexpended balance	58,288
Transfer to Governor's Office to reflect budget reductions	(58,288)
Adjustment for state employee furlough and suspension of employee benefit and retirement contribution payments	(11,214)
Adjustment for changes in employee benefits costs	<u>(6,737)</u>
Total adjusted appropriations	<u>668,698</u>
Expenses:	
Personal services	544,317
Contractual services	18,910
Continuous charges	46,161
Equipment	1,244
Supplies and materials	<u>408</u>
Total expenses	<u>611,040</u>
Unexpended balance	<u>\$ 57,658</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. Current year expenses are less than budgeted because of the transfer of the second deputy position to the Governor's Office. The following table summarizes the budget and expenses for the Secretary for fiscal years 2009 and 2010.

Financial Summary for Fiscal Years 2009 and 2010

	<u>2009</u>	<u>2010</u>
Original budget	\$775,126	\$775,126
Final budget	\$775,126	\$775,126
Actual expenses	\$692,731	\$593,976

Budget and Expense Analysis for Fiscal Year 2010

Original and final appropriations	<u>\$775,126</u>
Expenses:	
Personal services	513,520
Contractual services	19,397
Continuous charges	58,995
Supplies and materials	<u>2,064</u>
Total expenses	<u>593,976</u>
Unexpended balance	<u>\$181,150</u>



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

September 8, 2010

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
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, 2010. 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 Secretaries' 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
- Grant payments
- Revenues
- Appropriations

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. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Secretaries' 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 Secretaries record their 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 9, 2010.

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, 2010

Lisa Hicks-Thomas, Secretary of Administration

Todd P. Haymore, Secretary of Agriculture and Forestry

James S. Cheng, Secretary of Commerce and Trade

Gerard T. Robinson, 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

DIVISION OF SELECTED AGENCY SUPPORT SERVICES

Dennis M. Johnson, Director