

**OFFICE OF THE LIEUTENANT GOVERNOR
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2003**



AUDIT SUMMARY

Our audit of the Office of the Lieutenant Governor for the year ended June 30, 2003, 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.

AGENCY BACKGROUND

The Lieutenant Governor's major activities include: serving as President of the Senate, representing the Commonwealth at ceremonial functions, serving on boards and commissions, serving as a liaison between federal and local governments on specific projects at the request of local officials, and responding to inquiries from constituents. The Division of Selected Agency Support Services in the Office of the Secretary of Administration provides financial administrative support to the Lieutenant Governor.

FINANCIAL INFORMATION

The Office of the Lieutenant Governor receives its funding from General Fund Appropriations. The summary and detailed financial information for fiscal year 2003 is below.

| | | |
|---|-------------------------|-------------------------|
| | <u>Fiscal Year 2003</u> | |
| Original appropriation | \$ 424,430 | |
| Adjustments | <u>(25,346)</u> | |
| Final appropriations | 399,084 | |
| Net expenses | <u>387,157</u> | |
| Unexpended balance | <u><u>\$ 11,927</u></u> | |
| Original appropriation per Chapter 899 | | \$ 424,430 |
| Reductions per Chapter 1042 | | <u>(48,098)</u> |
| Appropriation per Chapter 1042 | | 376,332 |
| Adjustments: | | |
| Salary adjustments | 55,640 | |
| Reappropriation of unexpended funds from prior year | 7,947 | |
| Health insurance premiums | 1,873 | |
| Bonus Funding | 2,908 | |
| VSDP Rate Increase | 1,173 | |
| Governor's mandated budget reductions | (32,751) | |
| Retirement contribution rate reduction | (10,535) | |
| Group life insurance savings | (1,988) | |
| Other Savings | <u>(1,515)</u> | |
| Net adjustments | | <u>22,752</u> |
| Adjusted appropriations | | 399,084 |
| Expenses: | | |
| Salaries and fringe benefits | 291,777 | |
| Contractual services | 7,207 | |
| Supplies and materials | 273 | |
| Transfer payments | 4,989 | |
| Continuous charges | <u>82,911</u> | |
| Total expenses | | <u>387,157</u> |
| Unexpended balance | | <u><u>\$ 11,927</u></u> |

August 26, 2003

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Kevin G. Miller
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 Lieutenant Governor** for the year ended June 30, 2003. 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 |
| Revenues | Fixed Assets |

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 24, 2003.

AUDITOR OF PUBLIC ACCOUNTS

DBC/kva
kva: 20

OFFICE OF THE LIEUTENANT GOVERNOR
Richmond, Virginia

As of June 30, 2003

Timothy M. Kaine, Lieutenant Governor

Division of Selected Agency Support Services

Dennis M. Johnson, Director