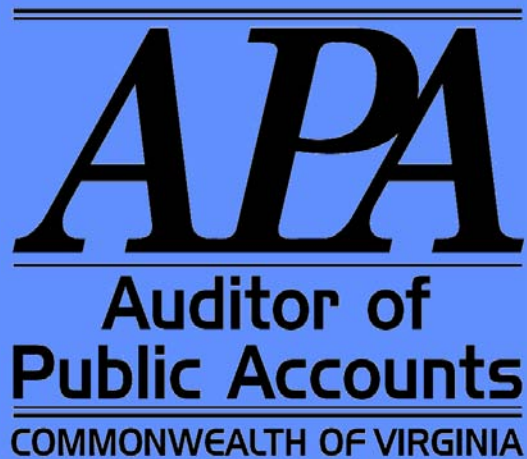


BUDGET TRANSPARENCY REVIEW

JULY 2009



AUDIT SUMMARY

Despite recent transparency legislation and initiatives, Virginia falls short of achieving budget transparency. Transparency is a key term in government today as citizens become increasingly interested in how their tax dollars are spent and the resulting benefits. Because the budget is a government's primary tool for setting priorities and allocating resources, the concept of a transparent budget is significant. A transparent budget process is clear, visible, and understandable to any citizen with an interest in the information. In addition, budget transparency can increase public confidence in government and promote fiscal responsibility.

In this report, we build on our previous reports and those of JLARC by evaluating the transparency of the budget information in three significant documents in the Commonwealth's budgeting and financial reporting processes. Those documents are the Executive Budget Document, the Appropriation Act, and the Comprehensive Annual Financial Report (CAFR).

Each document satisfies various statutes, but none achieves budget transparency. Of these three documents, the Executive Budget Document comes the closest to providing transparent information on the Commonwealth's budget; however, it is only relevant for a short time. Citizens cannot easily understand either the Appropriation Act or the CAFR without some technical training and government experience.

In promoting transparency, the Governor and General Assembly should consider exactly what they wish to achieve with an understanding of what level of transparency is actually attainable at this level of government. Given the structure of Virginia's government, currently available resources, and existing statutory regulations, the Commonwealth may need to rethink its approach if it hopes to make transparency a reality for the citizens. We offer the following considerations for the Governor and the General Assembly in regard to budget transparency.

1. Budget transparency means different things to different people. In promoting transparency, the Governor and General Assembly should consider what they are trying to achieve. It is important to remember that making more data available does not necessarily improve transparency unless the citizens can translate the data into useful information.
2. Most of the information currently generated during the budget process was not designed to achieve transparency. Several of the current key documents satisfy statutory and other requirements and do not purport to provide transparency into government operations.
3. The Commonwealth's operational size and complexity does impact how much transparency is easily achievable, since operations include multiple agencies and programs with complex funding sources. Smaller governments can more easily achieve a greater level of transparency by not only having a simpler structure, but also not requiring a greater degree of specialized knowledge to understand the information.
4. The lack of enterprise-wide financial management systems also hampers our ability to provide transparent information. As a result, we have multiple websites with information on different aspects of government operations, some of which duplicate each other, but none of which a user can easily relate to another.
5. The current government accounting and financial standard-setting bodies emphasize uniformity in reporting while neglecting to stress the importance of clear, understandable fiscal information.

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PERCEPTIONS AND REALITIES OF BUDGET TRANSPARENCY

Budget transparency is a key term in government today as citizens become increasingly interested in how their tax dollars are spent and the resulting benefits. A 2008 study commissioned by the Association of Government Accountants (AGA) found that 90 percent of American adults believe that they are entitled to transparent financial management information; however, the survey revealed a deep dissatisfaction with both the availability of government financial information and the way it is delivered to the citizens. The public overwhelmingly believes that government has an obligation to report and explain how it generates and spends its money, but citizens believe that government is not meeting their expectations on financial reporting and that it fails to provide understandable and timely financial management information. Governments' failure to meet these expectations causes an expectations gap between the kind of government financial reporting that citizens expect and what they actually receive. The most commonly cited way for a government to bridge this gap and demonstrate greater accountability is improved reporting, especially through open disclosure and clear reporting.

The Federal Funding Accountability and Transparency Act of 2006 required the federal government to fully disclose all entities and organizations receiving federal funds and established an online database that provides citizens with easy access to federal government spending data. State legislatures and citizens are now pushing the development of similar legislation and online databases to make state spending data both more accessible and transparent. Evident from transparency legislation introduced in recent Virginia General Assembly sessions, Virginia taxpayers want to clearly understand how and where their money is spent.

Unfortunately, sometimes there are obstacles to providing the information that the public desires. Citizens' and legislators' ideas of transparency are not always aligned, and certain data or information may not be achievable at a state level. Most citizens are familiar with the simple budget structures and high level of detail provided by their local governments. Both their smaller size and less complex accounting and funding structures make it easier for local governments to provide a greater level of detail about where funds originate and where they are spent. Some citizens may be familiar with the varying levels of budgetary and spending detail provided online by other state governments or the federal government; yet, since governments have unique accounting systems and recording methods, data produced by one government may not be achievable by another. Often, citizens are not familiar with the government's accounting structure, and consequently, many citizens are uncertain what types and formats of data they actually desire. Furthermore, although information may be available and accessible, not all citizens are able to properly interpret and construct a meaningful understanding of the data. While the government has a responsibility to make its actions transparent, citizens must also educate themselves to allow for proper use and understanding of the information provided.

DISCUSSION OF BUDGET DOCUMENTS

The concept of transparency can be applied to the budgeting process as well as to individual budget documents. For purposes of our review, we applied the concept to various key budget documents generated during a typical annual budget cycle in the Commonwealth. The Commonwealth's budget process spans several months and has several distinct phases – agency budget development, the Governor's budget proposal, legislative review and approval, and budget execution. During this process various groups generate different documents to assist them in understanding the budget, and we have reviewed these documents to gain an understanding of their purpose and usage in the process.

The *agency budget development phase* begins when Planning and Budget issues instructions to agencies on their preparation of the annual budget submissions. These working documents aid Planning and Budget and the agencies by providing information to be considered for inclusion in the budget. Although the documents provide a full understanding of the initial budget process, the information is subject to change due to refined revenue estimates, executive priorities, and other actions; therefore, these documents do not provide an official insight to the final amounts appropriated. Information and documents generated during this phase include:

| <u>Document</u> | <u>Timing of Release</u> | <u>Content</u> | <u>Availability to Public</u> |
|---------------------------------------|---------------------------------|---|---|
| Budget Instructions | Summer/Fall | Provides guidance and instruction to agencies for preparing adjustments to their base budget; this also includes instructions for estimating non-general fund revenues. | Department of Planning and Budget Website |
| Agency Strategic Plans | Fall | Explains what each agency plans to achieve, with descriptions of its mission, programs, budget, and performance measures. | Virginia Performs website |
| Agency Budget Submissions | Fall | Explains what funding agencies asked for and why, including estimates of non-general funding sources. | Not generally made public |
| Economic Outlook and Revenue Forecast | Fall | Provides both national and state standard and alternative low-growth forecasts, produced collectively by Global Insight, the Virginia Department of Taxation, the Governor's Advisory Board of Economists (GABE), and the Governor's Advisory Council on Revenue Estimates (GACRE). | Secretary of Finance website |

Based on the information gathered during the budget development phase, the next phase is the *Governor's budget proposal*. The Governor develops and releases a Budget Bill and the Executive Budget Document. The Budget Bill mirrors the format of the Appropriation Act, while the Executive Budget Document accompanies the Budget Bill and describes the proposed budget in more general language.

| <u>Document</u> | <u>Timing of Release</u> | <u>Content</u> | <u>Availability to Public</u> |
|---------------------------|---------------------------------|---|---|
| Governor's Budget Bill | Prior to December 20 | Describes the Governor's proposed budget for the upcoming biennium in even-numbered years, or the Governor's proposed budget amendments to the Appropriation Act in odd-numbered years. Format is identical to the Appropriation Act. | Department of Planning and Budget website |
| Executive Budget Document | Prior to December 20 | Provides the Governor's proposed budget or budget amendments along with detailed explanations of amendments. It also includes reader's guides, economic and revenue forecasts, secretariat and agency descriptions, budget history, key objectives, and performance measures. | Department of Planning and Budget website |

The next phase in the budget process is the *legislative review and approval* phase, and there are several budget documents generated by the legislature and legislative staff. These documents provide detail of legislative budget actions and any recommended changes to the Governor's proposed budget. Below is a listing of budget documents produced during the legislative phase.

| <u>Document</u> | <u>Timing of Release</u> | <u>Content</u> | <u>Availability to Public</u> |
|--|---------------------------------|--|--|
| Summary of Governor's Introduced Budget by Joint Money Committee Staff | Beginning of the session | Summary of Governor's recommendations by Secretariat and agency. Includes analysis of resources available for appropriation. | Legislative Information System website |
| Subcommittee Reports | Mid-session | Describes subcommittee and committee actions and their recommended changes to the Governor's proposed budget. | Legislative Information System website |
| Joint Conference Committee Reports | Before end of session | Summary of conference committee actions by Secretariat and agency. Includes analysis of resources available for appropriation. | Legislative Information System website |

The budget approval changes the budget bill into a legal document referred to as the Appropriation Act. The Appropriation Act not only shows the planned use of funds, but also special and general legal requirements to spend the funds. Legislative staff also prepares and releases some information after budget approval.

| <u>Document</u> | <u>Timing of Release</u> | <u>Content</u> | <u>Availability to Public</u> |
|--|---|--|--|
| Appropriation Act | After the Governor signs the enrolled budget bill | Official record of appropriations displayed by Secretariat, agency, and program, and includes language governing appropriations. | Legislative Information System website |
| Summary of Budget Actions by Joint Money Committee Staff | After the Appropriation Act is enacted | Summary of the adopted budget, which includes detail of changes to each agency's base budget. | House Appropriations and Senate Finance Committee websites |

Following budget approval begins the *budget execution* phase. In this phase of the budget process, the reporting requirements are less robust, and therefore, overall transparency diminishes. Much of the reporting during this phase focuses on the collection of General Fund revenues, and there are no requirements for reporting on non-general revenues or on the spending of either general or non-general fund budgets.

In addition, during this phase the Appropriation Act grants certain authority both to Planning and Budget and to the Governor to make certain administrative adjustments. These adjustments can and do affect the resources available to agencies and institutions for the delivery of services and payments to others. There are no reporting requirements disclosing the nature and types of adjustments made during the budget execution phase. The following documents include budgetary information reported as part of the budget execution phase.

| <u>Document</u> | <u>Timing of Release</u> | <u>Content</u> | <u>Availability to Public</u> |
|--|--|--|--|
| Secretary of Finance Revenue Reports | Monthly | Report on actual General Fund revenue collections for the previous month, forecasted revenues, and national and state economic outlooks; this report also includes some significant non-general funds. | Secretary of Finance website |
| General Fund Preliminary (Unaudited) Annual Report | August 15 | Comprised of budgetary (cash) basis financial statements that present the financial condition, results of operations, and changes in fund balance of the Commonwealth's General Fund. | Department of Accounts website |
| Comprehensive Annual Financial Report (CAFR) | December – reports on previous fiscal year | Financial overview, discussion of economy, organizational charts, state auditor's report, MD&A, audited financial statements, economic and financial trends, and demographic information. | Department of Accounts and Auditor of Public Accounts websites |

REVIEW OF BUDGET TRANSPARENCY

Budget transparency may mean something different to each individual as already discussed in this report. Consequently, citizens and legislators evaluate government budget documents using varying definitions of transparency. Some of the Commonwealth's budget documents are more transparent in design than others. These documents properly disclose all relevant information and are easily comprehensible for individuals with greater knowledge of legal or governmental terms and information; however, these same documents may not be transparent for the average citizen with little or no knowledge of these topics. A truly transparent document should easily allow citizens to understand the budget and spending regardless of an individual's level of knowledge.

For purposes of this review, we developed a list of transparency criteria for budget documentation. Our criteria used recommended budget practices published by the Government Finance Officers Association, discussion of budget presentations by the National Association of State Budget Officers, and budget transparency best practices published by other states. The following is a list of criteria developed from these various sources.

1. The document should explain the operations of the entity in a clear, user-friendly format that individuals can understand even with varying levels of knowledge.
2. The document should include sufficient detail of an agency's purpose, major programs, services, and performance measures so that the reader can completely understand how the agency develops its budget and plans to spend resources.
3. The document should provide historical, current, and projected data for comparative purposes.
4. The format and approach to budgeting specific types of expenses should be consistent for every agency (e.g. administrative expenses).
5. Information should be comprehensive for the fiscal years presented – all revenues, expenditures, and funding sources should be included. Additionally, there should be full disclosure of all adjustments made to the budget so the reader understands why changes occurred.
6. The document should clearly define funding sources, and the reader should have the ability to determine which funds are available for particular purposes. Further, the reader should have the ability to follow funds through the budget process using the documents available.

From the various documents produced during the Commonwealth's budget process, we selected two for further evaluation of transparency because of their significance in the process: the Executive Budget Document and the Appropriation Act. We also chose to further evaluate the CAFR because the Government Accounting Standards Board (GASB) dictates the presentation and format as well as information reported, which allows for some comparisons with other states. Further, GASB requires the reporting of information that is significantly different from and in some cases more detailed than information reported in either the Executive Budget Document or the Act. We have summarized each document on the following pages and evaluated it against the transparency criteria listed above.

Executive Budget Document

Date of Production: Prior to December 20

Produced by: The Governor in conjunction with the Department of Planning and Budget

Purpose: Describes the Governor's proposed budget for the upcoming biennium in even-numbered years, or the Governor's proposed budget amendments to the Appropriation Act in odd-numbered years.

Statutory Requirement: Article 10, Section 7 of the Constitution of Virginia; Code of Virginia §2.2-1508 and §2.2-1509

Evaluation of Transparency:

Clear and User Friendly: The document provides information that is clear and easily understood by individuals with varying levels of knowledge. This document includes explanatory information, reader's guides, and graphics to aid the reader.

Sufficient Detail: The document includes a short description of each agency and a summary of the operating budget including the base budget as well as any significant changes. Budget information is broken down by General and Non-general funds, but there is no program information presented.

Comparative Data: For each agency, there is current year budget data, one year of projected data, and four years of historical data. It also includes historical, current, and projected agency position levels.

Consistent Format: Each agency has a brief description of the agency and an operating budget summary; however, there are objectives and performance measures for only certain agencies. Also, the format and content of this document changes from year to year.

Comprehensive Data: Statewide information on funding sources shows the breakdown by General and Non-general sources. There is a table for each type of source comparing the prior year's actual revenue to projected revenues for the next two years. Although non-general fund sources account for almost 60 percent of the budget, there is no comprehensive discussion of actual collections against the prior year's forecast.

Clearly Defined Funding: The document includes a section on miscellaneous transfers, which provides detail of the Governor's recommended changes to interfund transfers and deposits to the General Fund; however, this section is not comprehensive and does not alert the reader to all transfers occurring during budget execution. Consequently, the reader could not determine which funds are available for particular purposes and cannot follow the flow of funds through the budget process.

Discussion:

Strengths: The Executive Budget Document is a fairly user-friendly budget document written in non-legal language. This document includes economic and revenue forecasts as well as a budget overview, all of which are good resources for a reader who may be more concerned about the overall state of the Commonwealth than about specific agency appropriations. The Executive Budget includes key objectives and performance measures as well as a reader's guide that directs readers to the Virginia Performs and Department of Planning and Budget websites for additional information regarding agency strategic plans and performance management. The Executive Budget Document also provides historical appropriations along with current and projected figures for comparative purposes.

Weaknesses: While the Executive Budget is the most user-friendly budget document, it is only relevant for a short time. The Governor and Planning and Budget produce this document as the Governor's budget proposal and there is no similar document produced after the approval of the budget.

In addition, the Executive Budget alone does not include all of the information that a reader may need to understand an agency and its budget. For example, there is no detail of an agency's major programs and services. Although the Executive Budget provides historical data, there is not a breakdown of appropriations by program, so the reader cannot determine how the agency plans to spend funds. Furthermore, this document lumps all non-general funding sources together, which prevents the reader from determining specific funding sources. Finally, the format and information presented is not consistent from year to year and changes with various administrations.

Appropriation Act

Date of Production: After the Governor signs the enrolled budget bill
Produced by: The Governor and the General Assembly
Purpose: Official record of appropriations for a biennium

Statutory Requirement: Code of Virginia §2.2-1509

Evaluation of Transparency:

| | |
|---------------------------------|--|
| Clear and User Friendly: | <p>The Appropriation Act is a legal document written in legal terms. The Appropriation Act is not generally or easily understood by individuals without legal training or government experience.</p> <p>In addition, there are a number of other budget practices that affect the ability of the user to easily understand the Appropriation Act. One example is the use of sum sufficient appropriations for certain programs requiring flexibility. Another example is transfers and other agency-specific requirements that are included in a miscellaneous section of the Act instead of alongside agency budgets, which makes it difficult to fully understand all of the actions affecting an individual agency.</p> |
| Sufficient Detail: | <p>The Appropriation Act displays appropriations for each agency by program and subprogram but does not include any explanatory detail of an agency's purpose, programs, services, or performance measures, except for its statutory reference.</p> |
| Comparative Data: | <p>The Appropriation Act covers a biennium and provides two years of appropriations. At the beginning of the biennium, current and projected figures are presented. During the second year of the biennium, historical budget figures for year one of the biennium are available to the reader; however, actual agency data (e.g. revenues, expenditures) and multiple years of historical and projected appropriations are not provided.</p> |
| Consistent Format: | <p>The Appropriation Act displays information in a consistent format for every agency, but the approach to budgeting expenses is not consistent. For example, some agencies budget administrative expenses as a separate program while other agencies include these expenses under other agency programs.</p> |
| Comprehensive Data: | <p>The beginning of the Appropriation Act shows a breakdown of General fund and Non-general fund revenue estimates. The Act does not provide any information on actual revenues or expenditures.</p> |
| Clearly Defined Funding: | <p>The Act clearly defines agency use of General Fund sources, but the Appropriation Act does not provide clear and transparent information on agency use of non-general funding sources. There are numerous</p> |

issues with non-general funding estimates, including duplication of funding streams as well as inclusion of funding streams that represent collections for others, and are not available to fund the Commonwealth's operations. These issues distort non-general funding sources presented in the Act, making it difficult to get a clear understanding of available resources.

In addition, it is difficult to understand specific funding sources for agencies relying on non-general funds. Information presented in the Appropriation Act is at high level (fund type) so it is not possible for the user to understand what specific fees or revenues are supporting an individual agency.

Discussion:

Strengths: The Appropriation Act is the Commonwealth's official record of appropriations. The Act provides detail of agency appropriations and overall funding sources by program which allows the reader to see where agency funds originate and are spent at a program level. The format of appropriations in the Act is consistent for every agency, making agency appropriations easy to navigate.

Weaknesses: The Appropriation Act is the Commonwealth's primary legal document of appropriations and must use specific language to ensure compliance; however, the Act uses legal language which the average citizen may not understand. Numerous statutory requirements can make the format of the Act's appropriations confusing for a reader without a thorough understanding of an agency's operations. Furthermore, the Act lacks detail of agency programs, services, and performance measures, and also fails to provide the reader with any historical or actual data of agency revenues and expenses.

Comprehensive Annual Financial Report (CAFR)

Date of Production: December
Produced by: Department of Accounts
Purpose: Management's representations concerning the Commonwealth of Virginia's finances

Statutory Requirement: Code of Virginia §2.2-813

Evaluation of Transparency:

- Clear and User Friendly:** Overall, the average individual cannot easily understand the CAFR without accounting training or government experience. The CAFR does include budget information on one of the supplementary schedules. This information includes the General, Major and Non-major special revenue funds, and the schedules are clearly labeled and easy to read. The schedule includes explanatory notes to help the reader understand how the budget information reconciles to the Appropriations Act, but the information is very technical in nature.
- Sufficient Detail:** The supplementary schedule provides detailed information of revenues and expenditures, but the data is for the Commonwealth as a whole, not at an agency level. Additionally, Non-general funds detail is only for certain Non-general funds.
- Comparative Data:** Provides original budget, final budget, and actual figures as well as a comparison of final budget to actual revenues or expenditures, but there are neither historical nor projected budget amounts shown for comparative purposes.
- Consistent Format:** The format of the budget to actual schedule is consistent for all revenues and expenditures and for all funds presented.
- Comprehensive Data:** The CAFR is a comprehensive report of the Commonwealth's financial information for the fiscal year presented; however, the supplementary schedule only includes on General Funds and certain Non-general funds, so it is not comprehensive in that it does not include all activity of the Commonwealth.
- Clearly Defined Funding:** The CAFR clearly defines the Commonwealth's funding sources by various types but does not relate these sources to individual agencies.

Discussion:

Strengths: The CAFR provides a Schedule of Revenues and Expenditures (Budget and Actual) in a format similar to that which smaller governments use to report financial data. While this format is one with which many citizens have some familiarity, making this Schedule easy for the average citizen to understand for the Commonwealth is very difficult. The Schedule provides information on revenues and expenditures, including budgeted and actual data.

This Schedule presented within the CAFR presents citizens with an accurate picture of the Commonwealth's overall revenues and expenditures for a fiscal year, along with information on how these figures compare to revenue estimates and budgeted expenses. A citizen cannot obtain this information from the Executive Budget Document or the Appropriation Act.

Weaknesses: The Schedule in the CAFR spans only a few pages and is for the Commonwealth as a whole rather than on an agency level. Consequently, the reader cannot determine actual revenues or expenses for a specific agency from reading this document, nor can the reader determine the types of agency programs and services funded and provided. The Schedule includes only the General Fund and certain Non-general funds; therefore, information is not for the Commonwealth as a whole. Lastly, the CAFR is not issued until six months after the fiscal year is over so the information is not timely.

RESULTS OF REVIEW

Our review of budget transparency in Virginia reveals that existing documents fall short of providing the transparency necessary for citizens to fully comprehend the Commonwealth's budgetary and financial data. Although Virginia recognizes the importance of transparency in government operations, a number of factors discussed throughout this report prevent us from achieving this goal. Our evaluation of the Executive Budget Document, Appropriation Act, and CAFR underscores the lack of a comprehensive, user-friendly document providing the information required for citizens to fully understand government operations.

Each of these three documents reports significant budgetary or financial information and fulfills statutory reporting requirements; however, none of these documents provide full budget transparency, nor was their original design to achieve this goal. Transparency is a relatively new concept in government and was not a factor when developing these and other budget documents.

Despite recent efforts in the Commonwealth to promote transparency, existing initiatives fail to account for the underlying issues in Virginia's government that hinder this goal. Existing initiatives focus on providing more data to citizens, but this effort is useless if citizens are unable to properly interpret and apply the data.

In promoting transparency, the Governor and General Assembly should consider exactly what they wish to achieve with an understanding of what level of transparency is actually attainable at this level of government. Given the structure of Virginia's government, currently available resources, and existing statutory regulations, the Commonwealth may need to rethink its approach if it hopes to make transparency a reality. We offer the following considerations for the Governor and the General Assembly in regard to budget transparency.

- The concept of budget transparency means different things to different people. In promoting transparency, the Governor and General Assembly should consider what they are trying to achieve. Making more data available to citizens does not necessarily improve transparency unless the citizens can translate the data into useful information.
- The General Assembly and Governor should consider whether information currently generated during the budget process will achieve the Commonwealth's transparency objectives. Several of the current key documents satisfy statutory and other requirements and do not purport to provide transparency into government operations.
- The Commonwealth's operational size and complexity does impact how much transparency is easily achievable. The Commonwealth's operations include multiple agencies and programs with complex funding sources. Smaller governments can more easily achieve a greater level of transparency, by not only having a simpler structure, but also not requiring a greater degree of specialized knowledge to understand the information.
- The lack of enterprise-wide financial management systems also hampers our ability to provide transparent information. Information on budgeting, performance management and financial reporting reside in separate systems with significantly limited abilities to share data. As a result, we have multiple websites with information on different aspects of government operations, some of which duplicate each other, but none of which a user can easily relate to another.
- The current trend with government accounting and financial standard-setting bodies emphasize uniformity in reporting while neglecting to stress the importance of clear, understandable fiscal information.



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Walter J. Kucharski, Auditor

June 12, 2009

The Honorable Timothy M. Kaine
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State Capital
Richmond, Virginia

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

We have reviewed the issue of budget transparency in Virginia and are pleased to submit our report entitled **Review of Budget Transparency**. 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.

Review Objectives, Scope, and Methodology

Our primary objective was to evaluate the transparency of the budget information in three significant documents in the Commonwealth's budgeting and financial reporting processes – the Executive Budget Document, the Appropriation Act and the Comprehensive Annual Financial Report (CAFR). In evaluating transparency, we developed transparency criteria based on budget practices published by the Government Finance Officers Association, discussion of budget presentations by the National Association of State Budget Officers, and budget transparency best practices published by other states. We also looked at existing research and reports on budget transparency, best practices, and other governments' budget documents. We evaluated the transparency of budget information in the Executive Budget Document, the Appropriation Act, and the CAFR by comparing the content and format of these documents to our list of criteria based on transparency best practices.

Results of Review

Our evaluation of the Executive Budget Document, Appropriation Act, and the CAFR underscores the lack of a comprehensive, user-friendly document providing the information required for citizens to fully understand government operations. Each of these three documents reports significant budgetary or financial information and fulfills statutory reporting requirements; however, none of these documents provide full budget transparency nor were they designed to achieve this goal, as transparency is a relatively new concept in government and was not a factor when developing these and other budget documents.

Despite recent efforts in the Commonwealth to promote transparency, existing initiatives fail to account for the underlying issues in Virginia's government that hinder this goal. Existing initiatives focus on

providing more data to citizens, but this effort is useless if citizens are unable to properly interpret and apply the data. Our report includes several issues for consideration by the Governor and General Assembly in regard to budget transparency.

Exit Conference and Report Distribution

We distributed this report to management at the Department of Planning and Budget and gave them the option of including a response to this report. They did not prepare a formal response to this report. We also distributed this report to the Department of Accounts, Senate Finance and House Appropriations committees for review prior to release.

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

LCW/alh