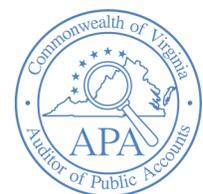




OFFICE OF THE GOVERNOR  
AND  
THE GOVERNOR'S CABINET SECRETARIES

REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2024

Auditor of Public Accounts  
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## AUDIT SUMMARY

This report includes the results of our audit for the fiscal year ended June 30, 2024, for the Office of the Governor and the Cabinet Secretaries as listed below. The Division of Executive Administrative Services, within the Secretary of Administration's office, provides financial services and administrative support to these agencies.

Office of the Governor	Secretary of Health and Human Resources
Secretary of Administration	Secretary of Labor
Secretary of Agriculture and Forestry	Secretary of Natural and Historic Resources
Secretary of Commerce and Trade	Secretary of Public Safety and Homeland Security
Secretary of the Commonwealth	Secretary of Transportation
Secretary of Education	Secretary of Veterans and Defense Affairs
Secretary of Finance	

Our audit of the Office of the Governor and Cabinet Secretaries found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's accounting and financial reporting system;
- no matters involving internal control and its operation 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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## FINANCIAL AND OPERATIONAL INFORMATION

This audit covers the Office of the Governor as well as the twelve Cabinet Secretaries. The Division of Executive Administrative Services, within the Secretary of Administration's office, has approximately seven staff who handle transaction processing and financial reporting responsibilities for the agencies. The individual agencies included within the scope of our audit are listed below:

*Office of the Governor (including Interstate Organization Contributions and the Citizens' Advisory Council on Furnishing and Interpreting the Executive Mansion)*

### *Cabinet Secretaries*

- *Secretary of Administration*
- *Secretary of Agriculture and Forestry*
- *Secretary of Commerce and Trade, including Economic Development Incentive Payments*
- *Secretary of the Commonwealth*
- *Secretary of Education*
- *Secretary of Finance*
- *Secretary of Health and Human Resources*
- *Secretary of Labor*
- *Secretary of Natural and Historic Resources*
- *Secretary of Public Safety and Homeland Security*
- *Secretary of Transportation*
- *Secretary of Veterans and Defense Affairs*

The following report sections include detailed financial information on the operations of the Office of the Governor for fiscal year 2024. In addition, we have included a summary of operational expenses for each of the Cabinet Secretaries. There are some unique financial activities that are not included in the summary, primarily related to the Secretary of Commerce and Trade and the Secretary of the Commonwealth. Both Secretaries oversee certain statewide financial activities that are discussed separately later in this report.

### Office of the Governor

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 Office of the Governor (Office) receives most of its funding through General Fund appropriations, and Table 1 on the following page summarizes the Office's budget and actual activity over the last two years.

**Office of the Governor  
Budget and Expense Summary for Fiscal Years 2023 and 2024**

Table 1

	2023	2024
Original budget	\$10,257,726	\$10,182,726
Final budget	17,088,065	19,128,712
Actual expenses	10,515,738	15,212,415

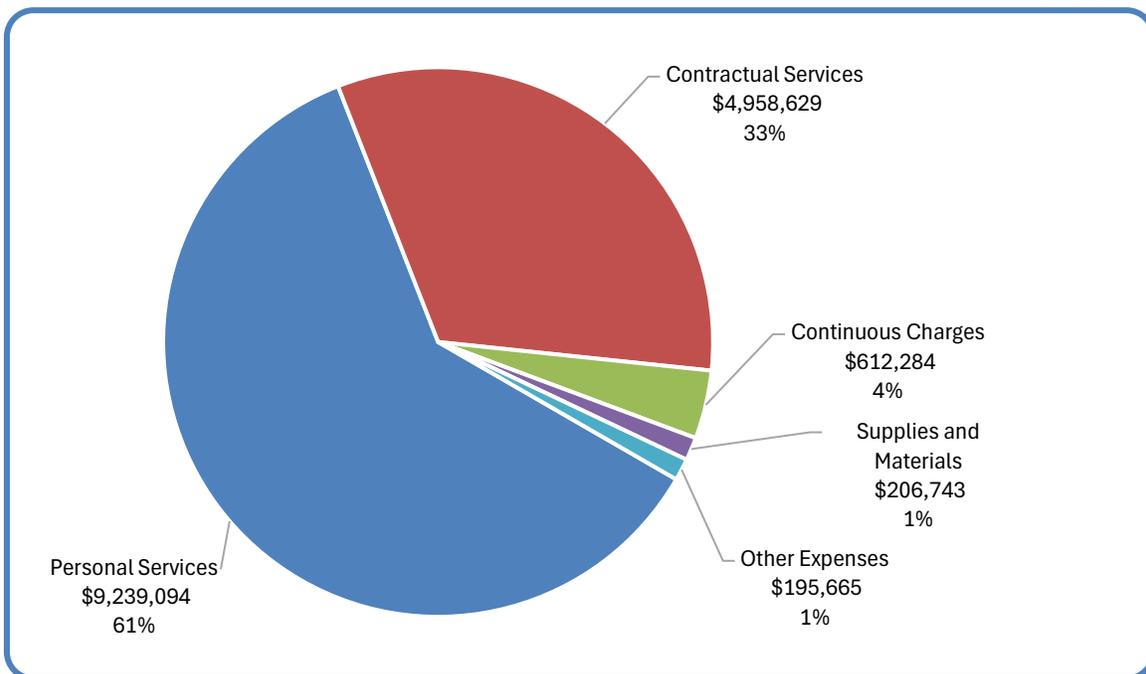
Source: Commonwealth’s accounting and financial reporting system

The Office’s budget for 2024 increased by \$8.9 million during the year, which was primarily attributed to budget adjustments. The budget adjustment increases included a \$4.9 million increase in unexpended discretionary balances carried forward from the prior fiscal year, \$1.4 million increases for legal defense cases, and a \$1.1 million increase for the implementation of government transformation initiatives.

The Office’s overall expenses increased by \$4.7 million when compared to fiscal year 2023. These increases were primarily attributed to statewide salary increases, additional Office hirings, legal services, and special projects related to procurement initiatives and real estate review. Table 2 below details expense activity for fiscal year 2024. The largest expense area is payroll and fringe benefit costs for the Office’s 69 full-time employees. The Office did not expend all of its appropriation and ended the fiscal year with a balance of \$3.9 million, as there were initiatives that remained ongoing at fiscal year-end. The remaining funds were carried forward to support special projects and unexpected expenses in fiscal year 2025.

**Expenses by Type for Fiscal Year 2024**

Chart 1



Source: Commonwealth’s accounting and financial reporting system

In addition to routine administrative programs, 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 (Emergency Management) requests General Fund appropriations through the Disaster Planning and Operation program. The Department of Planning and Budget did not transfer any General Fund appropriations from this program to Emergency Management in response to natural disasters during the fiscal year.

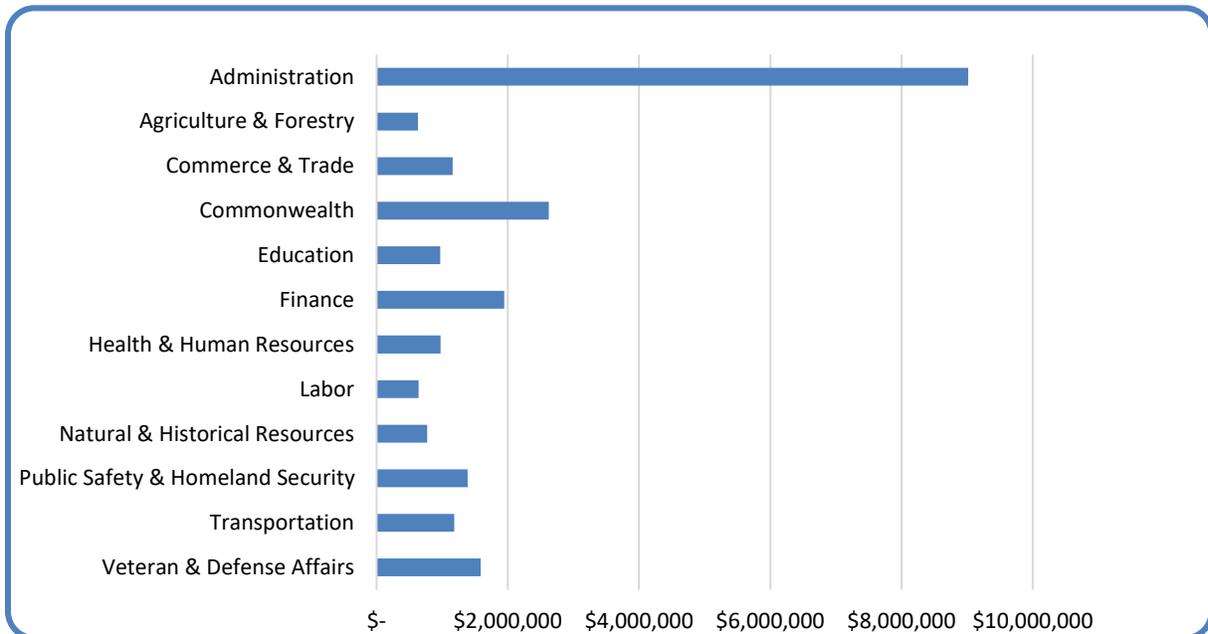
**Cabinet Secretaries**

The 12 Cabinet Secretaries oversee and manage various areas of state government, including executive branch agencies. In addition to oversight of state agencies, the Secretaries also assist the Governor in formulating policy and providing expertise and budget development guidance on the respective areas under the control of the individual Secretaries.

The nature of administrative office operations for most of the Secretaries’ offices is similar, but the funding sources may vary. The majority of the Secretaries receive General Fund appropriations to fund office operations, but a few Secretaries also receive special revenue funds for various purposes. Generally, the most significant administrative expense for the Secretaries are payroll and fringe benefits costs for their office personnel. Chart 2 below summarizes the total administrative costs of operations for each Secretary for fiscal year 2024.

**Operational Expense Summary by Cabinet Secretary for Fiscal Year 2024**

Chart 2



Source: Commonwealth’s accounting and financial reporting system

While most of the Cabinet Secretaries' operational activity is less than \$2.0 million annually, there are four offices that have unique functions resulting in more significant activity in comparison to other offices.

### Secretary of Administration

A significant portion of expenses for the Secretary of Administration relate to costs for the Office of Data Governance and Analytics, which includes the related operational and personnel costs, statewide data dictionary maintenance, data cataloging activities, and a predictive analytics project that are funded through fees paid by state agencies to the Virginia Information Technologies Agency Internal Service Fund.

### Secretary of the Commonwealth

The Secretary of the Commonwealth has several unique responsibilities that require a larger professional staff than some of the other secretaries, including serving as custodian of the Governor's official records and collecting various service fees related to notary commissions, service of process, lobbyist registration, and certificates of authentication. In total, the Secretary of the Commonwealth collected \$3.5 million in fees during fiscal year 2024.

### Secretary of Veterans and Defense Affairs

The Secretary of Veterans and Defense Affairs operates the State Military Community Infrastructure Program, which provides state matching dollars for localities to receive federal grant funding. In fiscal year 2024, the Secretary transferred roughly \$5.6 million in grant funds to intergovernmental organizations in accordance with the Appropriations Act.

### Secretary of Commerce and Trade

The Secretary of Commerce and Trade oversees various economic development programs in the Commonwealth. The Secretary's office works closely with the Governor and other agencies in implementing the programs intended to increase job creation and business development. The majority of these programs are funded with General Fund appropriations, which are initially appropriated in the Economic Development Incentive Payments (EDIP) section of the Appropriation Act, under the Secretary of Commerce and Trade.

The General Assembly is responsible for setting the requirements for how the funds are to be used. Funds from EDIP are transferred to the Secretary's Office when the specific requirements have been met and economic development incentive payments are ready to be processed. Due to the nature of economic development programs, it can take several years before the specific requirements are met. As a result, there are times when there is a delay between when funds are appropriated and when they are spent.

In fiscal year 2024, the General Assembly appropriated more than \$403.6 million in economic development program funding to EDIP. In turn, EDIP transferred about \$335.0 million to the Secretary’s Office to support various economic development programs approved by the General Assembly, which included some carry forward funding from prior years. Table 3 on the following page shows the specific programs to which the funds were transferred and the related expenses in fiscal year 2024.

**Summary of Economic Development Services Program Activity  
Secretary of Commerce and Trade  
Fiscal Year 2024**

Table 3

Type of Program	Amounts Transferred from EDIP	Expenses
Virginia Business Ready Sites Program	\$125,000,000	\$14,375,411
Major Headquarters Workforce Grant	78,000,000	-
Virginia Business Ready Sites Acquisition	75,000,000	-
Commonwealth’s Development Opportunity	19,750,000	1,708,284
Advanced Shipbuilding Production Facility Grant	8,000,000	8,000,000
Technology Development Grant	5,625,000	5,625,000
Governor’s Motion Picture Opportunity	5,000,000	3,043,723
Virginia Jobs Investment Program	4,669,833	2,335,100
Pharmaceutical Manufacturing Grant	2,993,750	493,750
Virginia Economic Development Incentive Grant	2,869,000	3,720,000
Advanced Manufacturing Talent Investment	2,500,000	-
Investment Performance Grant	2,276,350	2,216,350
Advanced Production Grant	1,300,000	-
Shipping and Logistics Headquarters Grant	1,154,500	1,398,465
Governor’s New Airline Service Incentive	825,000	159,650
<b>Total</b>	<b><u>\$334,963,433</u></b>	<b><u>\$43,075,733</u></b>

Source: Commonwealth’s accounting and financial reporting system

Many of the economic development programs in Table 3 are targeted to specific industries; however, the Commonwealth’s Development Opportunity Fund (Opportunity Fund) is not limited to any specific business sector. The Governor is given greater discretion in awarding these funds, which are generally contingent on companies meeting certain criteria, such as the creation of a certain number of jobs. The Virginia Economic Development Partnership (Partnership), the Secretary, and the Governor are involved in the process of awarding grants from the Opportunity Fund. The Partnership conducts the initial reviews of the grant proposals, but the grants are subject to final approval by the Secretary and the Governor.

In fiscal year 2024, the General Assembly appropriated \$19.8 million to the Opportunity Fund. Table 4 summarizes financial activity in the Opportunity Fund for fiscal year 2024. The amount shown

in the table as “Amount repaid by companies” reflects situations where economic development funds were “clawed back” from a company because they did not meet the required criteria.

**Summary of Commonwealth’s Development Opportunity Fund Activity  
Fiscal Year 2024**

Table 4

	2024
Beginning cash balance	\$102,290,106
General Fund appropriations	19,750,000
Amount repaid by companies	3,296,750
Interest earned	4,807,609
Payments to localities/companies	<u>(1,708,284)</u>
Ending cash balance	<u>\$128,436,181</u>

Source: Commonwealth’s accounting and financial reporting system

The Partnership and the Department of Planning and Budget monitor the Opportunity Fund cash balance and compare it to the Opportunity Fund’s commitments. The cash balance in the Opportunity Fund has been growing in recent years due primarily to a shift to post-performance grants where payments are made after a business has met certain benchmarks. Prior to this change, payments were made before the completion of any performance metrics, which sometimes resulted in companies having to pay back funds if they did not meet the agreed upon metrics. Of the cash balance remaining in the Opportunity Fund at the end of fiscal year 2024, approximately \$104.1 million is committed to approved projects leaving an uncommitted balance of nearly \$24.4 million.



Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

June 6, 2025

The Honorable Glenn Youngkin  
Governor of Virginia

Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Office of the Governor and Governor's Cabinet Secretaries** (Office) for the year ended June 30, 2024. 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's accounting and financial reporting system, review the adequacy of the Office's internal controls, and test compliance with applicable laws, regulations, contracts, and grant agreements.

## **Audit Scope and Methodology**

The Office's management has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, contracts and grant agreements. 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, regulations, contracts, and grant agreements.

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.

Appropriations  
Discretionary expenses  
Economic development and defense-related grant payments  
Payroll expenses and reconciliations  
Travel reimbursements and state car expenses

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, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Office’s operations. We performed analytical procedures, including budgetary and trend analyses, and tested details of transactions to achieve our audit objectives.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

### **Conclusions**

We found that the Office properly stated, in all material respects, the amounts recorded and reported in the Commonwealth’s accounting and financial reporting system. The financial information presented in this report came directly from the Commonwealth’s accounting and financial 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, regulations, contracts, and grant agreements 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 July 23, 2025. 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.

Staci A. Henshaw  
AUDITOR OF PUBLIC ACCOUNTS

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