



Joint Legislative Audit Committee
Office of the Auditor General



FINANCIAL AUDIT REPORT
OFFICE OF THE LIEUTENANT GOVERNOR
YEAR ENDED JUNE 30, 1979

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT **F-999.15**

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

999.15

FINANCIAL AUDIT REPORT
OFFICE OF THE LIEUTENANT GOVERNOR
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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S. FLOYD MORI
CHAIRMAN

October 17, 1980

999.15

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the Office of the Lieutenant Governor, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Romero Zamora; Gus Demas; Geraldine Parks; Teri Yee; Michael Tritz; and Charles Thrasher.

Respectfully submitted,

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Office of the Lieutenant Governor. This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

The Lieutenant Governor acts as President of the Senate and becomes Governor when a vacancy occurs in that office, according to Section 9, Article 5 and Section 10, Article 5 of the California Constitution. He directs the administration of programs assigned to him by statute and administrative request.

The Office of the Lieutenant Governor and programs of the office are supported by appropriations from the State's General Fund, federal funds, intrafund transfers, and by conference fees.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the combined balance sheet of the Office of the Lieutenant Governor as of June 30, 1979 and the related statements of financing sources, expenditures, and changes in fund balance and operating clearing for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Office of the Lieutenant Governor at June 30, 1979 and the results of operations and changes in fund balance and operating clearing for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The column amounts on the accompanying financial statements captioned "Totals - Memorandum Only" for June 30, 1979 are not necessary for a fair presentation of the financial statements but are presented as additional analytical data and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.


WESLEY E. VOSS
Assistant Auditor General

Date: March 4, 1980

Staff: Curt Davis, CPA
Romero Zamora
Gus Demas
Geraldine Parks
Teri Yee
Michael Tritz
Charles Thrasher

OFFICE OF THE LIEUTENANT GOVERNOR
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUP
 JUNE 30, 1979

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type Expendable Trusts</u>	<u>Account Group General Fixed Assets</u>	<u>Totals (Memorandum Only) June 30, 1979</u>
<u>ASSETS</u>				
Cash	\$ 4,001	\$ 1,629	\$ --	\$ 5,630
Accounts receivable	47,332	--	--	47,332
Due from Federal Government	--	13,922	--	13,992
Prepayments to other funds	1,555	--	--	1,555
Expense advances to employees	9,874	--	--	9,874
Equipment	--	--	60,734	60,734
Total Assets	<u>\$ 62,762</u>	<u>\$15,551</u>	<u>\$60,734</u>	<u>\$139,047</u>
<u>LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY</u>				
Liabilities:				
Accounts payable	\$ 42,394	\$13,992	\$ --	\$ 56,386
Reimbursements collected in advance	<u>3,703</u>	<u>--</u>	<u>--</u>	<u>3,703</u>
Total Liabilities	<u>46,097</u>	<u>13,992</u>	<u>--</u>	<u>60,089</u>
Encumbrances Outstanding	<u>28,448</u>	<u>--</u>	<u>--</u>	<u>28,448</u>
Fund Equity:				
Investment in general fixed assets (Note 3)	--	--	60,734	60,734
Operating clearing (Note 5)	(11,783)	--	--	(11,783)
Fund balance	<u>--</u>	<u>1,559</u>	<u>--</u>	<u>1,559</u>
Total Fund Equity	<u>(11,783)</u>	<u>1,559</u>	<u>60,734</u>	<u>50,510</u>
Total Liabilities, Encumbrances Outstanding, and Fund Equity	<u>\$ 62,762</u>	<u>\$15,551</u>	<u>\$60,734</u>	<u>\$139,047</u>

The notes to the financial statements are an integral part of this statement.

OFFICE OF THE LIEUTENANT GOVERNOR
 COMBINED STATEMENT OF FINANCING SOURCES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE AND OPERATING CLEARING
 GOVERNMENTAL FUND TYPE AND EXPENDABLE TRUST FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Totals (Memorandum Only) June 30, 1979</u>
	<u>General</u>		
Financing Sources:			
Support appropriation	\$710,184	\$ --	\$710,184
Reimbursements	19,323	--	19,323
Intergovernmental revenue	--	13,659	13,659
Other revenues	--	6,703	6,703
Miscellaneous adjustments (Note 4)	--	32,000	32,000
Total Financing Sources	<u>729,507</u>	<u>52,362</u>	<u>781,869</u>
Expenditures:			
Personal services	50,017	--	507,017
Operating expenses and equipment (Note 6)	238,030	6,823	244,853
Expenditures of federal receipts	--	74,861	74,861
Miscellaneous adjustments (Note 4)	8,669	--	8,669
Total Expenditures	<u>753,716</u>	<u>81,684</u>	<u>835,400</u>
Excess of Sources over (under) Expenditures	(24,209)	(29,322)	(53,531)
Fund Balance - July 1	--	30,881	30,881
Operating Clearing - July 1	<u>12,426</u>	<u>--</u>	<u>12,426</u>
Fund Balance - June 30	--	1,559	1,559
Operating Clearing - June 30	<u>\$(11,783)</u>	<u>\$ --</u>	<u>\$(11,783)</u>

The notes to the financial statements are an integral part of this statement.

OFFICE OF THE LIEUTENANT GOVERNOR
 STATEMENT OF FINANCING SOURCES, EXPENDITURES,
 AND CHANGES IN OPERATING CLEARING - BUDGET AND ACTUAL
 GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	<u>Budget as Adjusted</u>	<u>Actual</u>	<u>Variance</u>
Financing Sources: (Note 2)			
Support appropriation	\$721,671	\$710,184	\$ (11,487)
Reimbursements	<u>32,833</u>	<u>19,323</u>	<u>(13,510)</u>
Total Financing Sources	<u>754,504</u>	<u>729,507</u>	<u>(24,997)</u>
Expenditures: (Note 2)			
Personal services	503,948	507,017	(3,069)
Operating expenses and equipment	250,556	238,030	12,256
Miscellaneous adjustments (Note 4)	<u>--</u>	<u>8,669</u>	<u>(8,669)</u>
Total Expenditures	<u>754,504</u>	<u>753,716</u>	<u>788</u>
Excess of Financing Sources over (under) Expenditures	<u>\$ --</u>	(24,209)	<u>\$ (24,209)</u>
Operating Clearing - July 1		<u>12,426</u>	
Operating Clearing - June 30		<u>\$(11,783)</u>	

The notes to the financial statements are an integral part of this statement.

OFFICE OF THE LIEUTENANT GOVERNOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the Office of the Lieutenant Governor. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The accompanying financial statements are structured into a Governmental Fund Type, a Fiduciary Fund Type, and an Account Group. The Office of the Lieutenant Governor accounts for only its portion of the two fund type categories. The State Controller maintains the central accounts for all state funds and annually publishes fund statements.

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Proprietary Funds--are accounted for through governmental funds. The General Fund is the Governmental Fund Type in the Office of the Lieutenant Governor.

General Fund

This fund includes all financial resources not accounted for in another fund.

The Governmental Fund Type is maintained on the modified accrual basis of accounting. These are some of its more significant elements:

Income

Throughout the fiscal year all income, except for certain reimbursements which are recorded when billed, is accounted for on a cash basis. At June 30, the accounts are adjusted to accrue all earned but uncollected income.

Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as expenditures including encumbrances outstanding against budget appropriations for which no goods or services have been received.

Liabilities

Retirement Plan - Regular employees of the office are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the office and employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. Retirement contributions for the year totaled \$22,143.

Vacation and Sick Leave - Costs of vacation and sick leave are charged when these benefits are used rather than when they are earned.

FIDUCIARY FUND TYPES

Fiduciary Fund Types are used to account for assets held by a governmental unit as a trustee. The Fiduciary Fund Type for the Office of the Lieutenant Governor is the Special Deposit Fund--an expendable trust fund used to account for monies for the Border Area Development Study, the Border States Commission, the California Preschool Conference, and the New Opportunities Conference.

ACCOUNT GROUP

The Account Group is used to account for general fixed assets. Assets purchased, except for those acquired under an installment purchase contract (as explained in Note 3), are recorded as expenditures in the appropriate fund in the year of acquisition or encumbrance. General fixed assets increased by a net of \$44,588 during the fiscal year.

2. BUDGETED FINANCING SOURCES AND EXPENDITURES

The amounts shown under "Budget as Adjusted" for financing sources and expenditures reflect the Governor's Budget after allowing for adjustments by the Budget Act, interim statutory changes affecting appropriations, and authorized executive budget revisions issued during the year.

3. INVESTMENT IN GENERAL FIXED ASSETS

This account includes an unpaid balance of \$23,983 at June 30, 1979, the balance represents the unpaid amount on an installment purchase contract that is payable over the next 60 months in equal monthly installments of \$515.64. The monthly installments include interest of 4 percent on the unpaid principal.

4. MISCELLANEOUS ADJUSTMENTS

This account shows the difference between the net amount of financing sources, expenditures, abatements, and reimbursements accrued as of the previous June 30 and the actual amount of financing sources, expenditures, abatements, and reimbursements related to the prior year but obtained during the current fiscal year.

5. OPERATING CLEARING

The Operating Clearing account is the connecting link between the records of the various state agencies and the central fund accounts of the State Controller for the General Fund and other funds not accounted for entirely by one agency. The balance at June 30 represents the net assets and liabilities for which the Office of the Lieutenant Governor is accountable.

6. LEASES

The following is a yearly schedule of the future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms exceeding one year as of June 30, 1979:

Year ending June 30:

1980	\$4,158
1981	<u>2,426</u>
Total Minimum Payments Required	<u>\$6,284</u>

For the fiscal year ending June 30, 1979, the total rental expenses for all operating leases, except those with terms of a month or less that were not renewed, was \$1,733.

OTHER INFORMATION

As an integral part of our examination, we reviewed the accounting procedures and related system of internal accounting control at the Office of the Lieutenant Governor and at the Department of General Services (which maintains the office's accounting records) to the extent we considered necessary to properly form an opinion concerning the fairness with which the office's financial statements present its financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the Office of the Lieutenant Governor in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The Office of the Lieutenant Governor generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps