



# Auditor of Public Accounts Commonwealth of Virginia

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## Who We Are

The Auditor of Public Accounts (APA) acts as the General Assembly’s eyes and ears, independently monitoring and reporting how state agencies and institutions spend state funds. The APA helps the Commonwealth’s leaders address the challenges facing Virginia today by providing sound, reliable information and alternatives. The Auditor, a constitutional officer elected to a four-year term, reports to the General Assembly through the Joint Legislative Audit and Review Commission (JLARC). The APA serves as the external auditor for all independent, judicial, and executive branch state agencies and higher education institutions in the Commonwealth. In many respects, the APA operates like a CPA firm, with the Auditor serving as the managing partner.

## What We Do

The primary focus of the APA is conducting Code of Virginia and federally-mandated audits such as the Commonwealth’s Comprehensive Annual Financial Report (CAFR), the Single Audit of federal funds, and the Commonwealth’s higher education institutions. We also audit pension and other postemployment benefit amounts used by state and local government employers in preparing their financial statements.

In addition to our auditing activities, we perform a variety of other functions throughout the year to assist in improving accountability and financial management in the Commonwealth. Some of these other functions involve providing oversight and assisting the Commonwealth’s local governments, which include providing guidelines to public accounting firms that audit local governments and reviewing the quality of the firms’ work. We design these guidelines, or audit specifications, to ensure compliance with significant state laws and regulations by providing guidance for audit work unique to Virginia local governments, and to assist state agencies by ensuring that the firms understand and include audit procedures over state grants and contracts.

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**OUR  
MISSION**  
*Serving  
Virginia  
citizens and  
decision makers  
by providing  
unbiased, accurate  
information  
and sound  
recommendations  
to improve  
accountability  
and financial  
management of  
public funds.*

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## What We Do *(continued)*

We annually prepare a Comparative Report of Local Government, which is a compilation of financial information provided by the Commonwealth's cities, counties, and towns that are required to have an annual audit. We also perform a local fiscal distress monitoring process by annually reviewing the localities' audited financial reports along with considering other qualitative factors.

### APA Annual Quality Control Review Process

Annually, we perform post issuance quality control reviews of the public accounting firms who audit Virginia's local governments and certain contracted authorities to monitor the quality of those audits. We conduct these reviews to ensure the firms' audit complies with auditing standards and the requirements of the federal government and specifications mandated by the APA, as applicable. We select a sample of the CPA firms and local government audits for our annual reviews to ensure we are reviewing the firms on a cyclical basis, as well as following up on firms who had significant findings or repeat deficiencies in prior years. Our quality control program is described in detail in Chapter 4 of the APA's [\*Audit Specifications for Cities, Counties, and Towns\*](#). Beginning in 2020, the APA will also incorporate review over the audits of the local authorities, boards, commissions, districts, and other political subdivisions as part of our annual quality control review process.

Firms can receive a rating of pass, pass with deficiencies, or fail. Firms that receive a rating of fail are scheduled for a repeat review in the following year. We communicate the results of our reviews to the firm, the applicable locality whose audit is selected for review, the Virginia Society of Certified Public Accountants, and the Virginia Board of Accountancy. These reports are also made available on our website, which allows local governments to review the reports as they are contracting for their audit with a firm.

### Common Findings from Quality Reviews of Firms Performing Locality Audits

The table below summarizes common findings identified throughout our annual quality control reviews where we have made recommendations to improve the quality of local government audits.

Quality Control Review Recommendations	Findings Cited
Improve Audit Working Paper Documentation	<ul style="list-style-type: none"><li>◆ Oral explanations required to understand working papers and conclusions reached</li><li>◆ All state compliance requirements not met</li><li>◆ Fraud inquiries not performed</li><li>◆ Group audit considerations omitted</li><li>◆ Going concern considerations omitted</li><li>◆ Management specialist competency not evaluated</li><li>◆ Sampling considerations, reduced sample size considerations, and results inadequate or omitted</li><li>◆ Substantive analytical procedures exclude expectations or further investigation of significant variances</li><li>◆ Hardcopy documentation not legible</li></ul>

Quality Control Review Recommendations	Findings Cited
<p>Improve Linkage Between Risk Assessment and Audit Test Work</p>	<ul style="list-style-type: none"> <li>◆ Low control risk assessed, but only walkthrough performed</li> <li>◆ Internal control descriptions insufficient</li> <li>◆ Internal controls not tested</li> <li>◆ Preliminary analytical review omitted</li> <li>◆ All federal compliance requirements not identified</li> <li>◆ Risk assessment not performed according to federal compliance requirement</li> </ul>
<p>Improve Linkage Between Review of Financial Statements and Audit Test Work</p>	<ul style="list-style-type: none"> <li>◆ All financial statement elements not linked to trial balance</li> <li>◆ Trial balance did not agree with test work performed</li> <li>◆ Material line items or journal entries not tested</li> <li>◆ Identified misstatements not tracked</li> <li>◆ Noncash section omitted from cash flows statement</li> <li>◆ Emphasis-of-Matter paragraph omitted when new standard implemented</li> </ul>
<p>Ensure Compliance with Single Audit Federal Requirements in OMB Uniform Guidance</p>	<ul style="list-style-type: none"> <li>◆ Required elements omitted from schedule of expenditures of federal awards and footnotes</li> <li>◆ Major program misidentified as being audited</li> <li>◆ Major programs designated high or moderate risk without consideration documented, control testing, or finding issued</li> <li>◆ Type B program risk assessment not performed</li> <li>◆ Compliance requirements deemed not applicable without justification</li> <li>◆ Dual purpose attribute testing omitted compliance requirements</li> <li>◆ Use of working paper templates not designed to support audit area</li> </ul>

## Other Commonly Noted Deficiencies

The table below summarizes deficiencies commonly noted during the APA’s review of the audited financial statements.

Area	Findings Cited
<p>Pensions and OPEB</p>	<ul style="list-style-type: none"> <li>◆ Draft versions of VRS guidance used instead of final versions</li> <li>◆ RSI schedules used incorrect payroll measures (varies per OPEB type)</li> <li>◆ Language omitted from disclosures templates that is not designated as optional</li> <li>◆ Incorrect terminology used for trust and non-trust plans (Net Liabilities versus Total Liabilities)</li> <li>◆ Overfunded plans not reporting Restricted Assets</li> </ul>

Area	Findings Cited
Debt	<ul style="list-style-type: none"> <li>◆ Inadequate or missing disclosures for debt refundings occurring in the current year</li> <li>◆ Inadequate or missing disclosures for total amount of debt defeased and outstanding at year-end</li> </ul>
Cash and Investments	<ul style="list-style-type: none"> <li>◆ Inadequate or missing GASB 72 disclosures for SNAP</li> <li>◆ Inadequate or missing disclosures for LGIP and LGIP EM (GASB 79 applies to LGIP only)</li> <li>◆ Inadequate or missing disclosures related to GASB 72, specifically assets valued at NAV and current guidance not implemented</li> </ul>

## KEY REMINDERS

- ◆ Follow the audit specifications
- ◆ Use final versions of all guidance
- ◆ Submit audited financial reports and comparative report transmittal data to APA by November 30
- ◆ Submit audited report to the APA for a small town having a population less than 3500 that voluntarily receives an audit (*New requirement*)
- ◆ Ensure locality publishes required statement to the public and governing body if audit is delayed, and sends a copy of the statement to the APA (*New requirement*)

## RESOURCES

- ◆ [APA Local Government Resources](#)
- ◆ [Audit Specifications for Cities, Counties, and Towns](#)
- ◆ [APA Comparative Reports of Local Government](#)
- ◆ [APA Quality Control Review Reports](#)
- ◆ [Local Government Financial Reports](#)
- ◆ [VRS Pension and OPEB resources](#)
- ◆ [AICPA documentation resources](#)

## YOUR APA CONTACTS

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