



## 2016 APA Local Government Update

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## Topics

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- Cardinal- Commonwealth's Accounting System
- Comparative Report
- Other Governmental Entities
- Local Government QCR Audit Reviews
- 2016 Updates for GASB 68

# Commonwealth Accounting System

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- CARS – Old system
- Cardinal – New system
  - All State agencies transitioned February 1, 2016
  - Becomes official system – July 1, 2016 (FY17)
- APA State Disbursements Reports
  - Exploring new data/report capabilities to make more efficient, user friendly for Localities
- Federal Cross-Reference Spreadsheet

# Comparative Report Process

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- Key Items for Transmittal forms
  - Form 50
    - Revenues and Expenditures should reconcile to the Locality's CAFR, and any separately issued financial statements (i.e.: School Board other CU's)
    - Adjustment to remove Transfers to the School Board Component Unit-generally should be the same for both revenues and expenditures
  - Other Accounting Differences/Adjustments
    - During 2016 review process may ask for additional explanation on certain material adjustments

# Comparative Report Process

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- Key Items for Transmittal forms
  - Form 110 Joint Activities
    - Preference-Send ahead to APA for website posting
    - Or submit copy with completed transmittal
  - Form 500 – Summary of Outstanding Debt
    - Include new Pension Liability from GASB 68 implementation
    - Include all outstanding debt for Locality's General Government, Enterprise Activities, and School Board/ other Component Units (UFRM 4.11)
    - Inclusion of Bond premiums

## Comparative Report Process

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- Key Items for Transmittal forms
  - Include activity of all discretely presented Component Units
  - Report amounts related to the Education function in appropriate forms, regardless of financial reporting requirements: Form 400 for Debt Service and Form 300 Capital Projects
  - Analysis tab: need adequate explanations for variances
  - Local Review tab: add explanations for possible errors/flags

## Comparative Report Process

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- 2016 Transmittal Preparation training
  - APA will give “in-person” training again
  - Estimated time frame, early September 2016
  - Look for further details about registration, date, and location coming soon

## Other Governmental Entities

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- Authorities, Boards, Commissions
  - Audit and Oversight Provisions
  - APA Audit Specifications
  - Requirement – submit audit report to APA 90 days after FYE
  - Contact Information – update APA's records
    - Local Government Survey- continue to notify of any ABC's that are Locality's CU's

## Updates to 2016 SPECS and UFRM

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- Code of Virginia 15.2-2510 November 30th deadline
  - APA will start to adhere to this requirement more firmly starting FY2016
  - Submit the **Final** Audited Financial Report (CAFR) with the Comparative Report transmittal form by 11/30
  - APA will no longer accept “draft” financial statements to meet this requirement

## Updates to 2016 SPECS

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- Clarified when localities/auditors should notify APA and others about fraud/illegal acts (SPECS 2-13, 5-14, 7-3)
- Clarified when firm issues “written” Management letter must send copy to APA (SPECS 2-3)
- Statement of Economic Interest, Code of Virginia 2.2-3124- effective January 1, 2016 civil penalty for not filing form (SPECS 3-5)

## Updates to 2016 SPECS

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- Code of Virginia Section 51.1-124.13, Local Government employee convicted of felony in connection with employment must forfeit entitled pension benefits
  - [Attorney General July 31, 2015 advisory opinion](#)
  - Employer must initiate the forfeiture process
  - Previously SPECS 2-9 included this with requirement to report fraud and illegal acts
  - Revised to include this as a separate paragraph and clarify auditor requirement

## APA Quality Control Review

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- Overview of APA's QCR process
- Common findings from prior audit reviews
- Increased focus on Single Audit compliance

## APA Quality Control Review

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- Periodic quality control reviews of CPA firms auditing VA localities
- Chapter 4 of the *Specifications for Audits of Counties, Cities & Towns* describes this process
- Copy of the final review report is sent to the audit firm, applicable locality, the Board of Accountancy, and VSCPA

## Quality Control Review Findings

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- Nonperformance of APA audit specifications, includes Circuit Clerk audits (Chapter 6)
- Noncompliance with GASB standards for financial statement presentation
- Improvements needed in audit documentation
  - Risk Assessment
  - Group Audit
  - Independence (non-audit services)
- Noncompliance with Federal OMB requirements for single audits (FY13-FY15)

# Single Audit Quality Control Review

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- 2<sup>nd</sup> year performing analysis of data submitted to the federal audit clearinghouse for 143 localities' FY15 single audits
- Still noting common potential deficiencies:
  - Misidentifying and not auditing Type A programs
  - Insufficient audit coverage (50% rule)
  - Misidentifying auditee as High risk
  - Incorrect reporting
  - Untimely submission of data collection form
- Identified only a few Localities with potential issues

## Single Audit Quality Control Review

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- Communicate the results of our analysis to auditors and Localities
  - During the QCR process
  - Email correspondence to CPA firms for applicable localities not in this year's QCR cycle
- Use results of Single Audit analysis as a potential risk factor when determining the next cycle of QCR selections

## Increased Focus on Single Audit Compliance

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- Important to ensure single audit compliance **now** as we audit under new Uniform Guidance (Part 200) requirements
  - **ALL FY16** audits will apply new UG audit requirements
  - Auditors may continue to test some awards subject to the “old” OMB circulars and some awards under **new** UG regulations as we transition for several years.

## Increased Focus on Single Audit Compliance

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- New UG requires performance of a federal study of single audit quality once every six years **beginning in 2018**
- 2018 timing of federal review may result in selecting single audits that will be implementing new UG requirements for the first time (i.e.: FY16 audits)
- Everyone should be preparing **now** for this study!



## GASB Statement No. 68 Update

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## Topics

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- Discuss updates to *Audit SPECS-Counties, Cities, and Towns and Authorities, Boards, and Commissions*
- Provide update on APA 2016 GASB 68 audit
  - Summarize Audit Assurances
  - APA Audit Efficiencies and VRS Process Improvements
  - Resources Available

# Reporting Requirements for the Audit Specifications

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- *Specifications for Audits of Counties, Cities, and Towns*
  - 3-7 Retirement Systems
  - Report the results to APA by **October 1**
- *Specifications for Audits of Authorities, Boards, and Commissions*
  - 2-5 Retirement Systems
  - Report the results to APA by **November 30**

# Reporting Requirements for the Audit Specifications

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- Only minor wording and clarification updates made to 2016 SPECS, 3-7 Retirement Systems
  - Focus of audit procedures over census data remains on reviewing “changes” during FY16

# Agent Multiple APA Audit Assurances

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- Proper accumulation of census data by the plan

Fair presentation of changes in FNP by employer

NPL is the difference between TPL and FNP

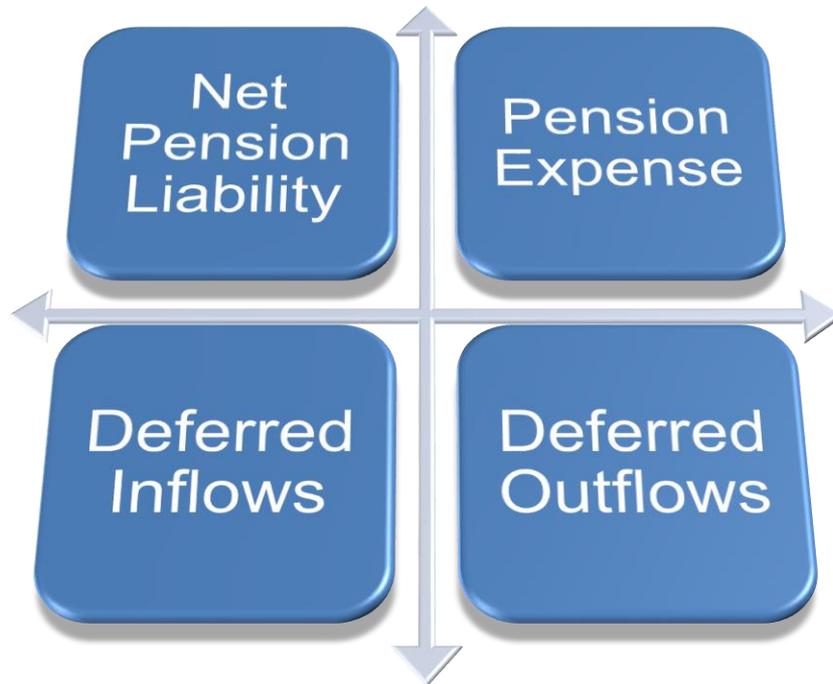
Total Pension Liability

Less: Fiduciary Net Position

Net Pension Liability

# Cost Sharing APA Audit Assurances

- Provide opinion on pension amounts at the plan level
- Provide opinion on employer allocation percentages



Employer Code	Employer	Employer Contributions	Employer Allocation Percentage
40100	ACCOMACK COUNTY SCHOOL BOARD	\$ 3,023,764	0.35461%
40101	ALBEMARLE COUNTY SCHOOLS	9,491,479	1.11311%
40102	ALLEGHANY COUNTY SCHOOL BOARD	1,435,188	0.16831%
40103	AMELIA COUNTY SCHOOL BOARD	903,338	0.10594%
40104	AMHERST COUNTY SCHOOL BOARD	2,704,879	0.31721%
40105	APPOMATTOX COUNTY SCHOOL BOARD	1,176,909	0.13802%
40106	ARLINGTON PUBLIC SCHOOLS	29,095,514	3.41217%
40107	AUGUSTA COUNTY SCHOOL BOARD	6,291,642	0.73785%
40108	BATH COUNTY SCHOOL BOARD	498,809	0.05850%
40109	BEDFORD COUNTY SCHOOL BOARD	5,682,514	0.66642%
40110	BLAND COUNTY SCHOOL BOARD	483,108	0.05666%
40111	BOTETOURT COUNTY SCHOOLS	3,106,162	0.36427%
40112	BRUNSWICK COUNTY PUBLIC SCHOOLS	1,137,210	0.13337%
40113	BUCHANAN COUNTY SCHOOL BOARD	1,757,633	0.20613%
40114	BUCKINGHAM COUNTY SCHOOL BOARD	1,213,826	0.14235%

## Potential Cost Sharing APA Audit Assurances

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- Teacher's Plan received \$193 million one-time transfer from the State
- Employers must recognize proportionate share of non-employer contribution as revenue
- VRS will provide information on non-employer contribution
- APA is discussing whether employers need audit assurance over this information

## APA Audit Efficiencies—VRS Process Improvements

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- APA and VRS started FY16 process earlier, performing certain GASB 67 and 68 procedures concurrently
- APA is not having to obtain additional evidence over initial opening balances
- Continue to modify disclosure guidance using input from employers and their auditors
- Provide template journal entries, and note disclosures with RSI more timely

## APA Audit Efficiencies—VRS Process Improvements

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- Evaluate future use of service organization controls (SOC-1 Type 2) report instead of opining at the employer level for agent-multi
- VRS improvements:
  - prepare standard calculations and allocations
  - centralize GASB 68 data process
  - expand webpage for information
  - expand availability of data in VNAV system, develop additional reports as needed
- Begin preparation for similar implementation process for OPEBs

## GASB 68 Expected Issuance

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- Projected completion date: August 2016
- What you can expect to receive:

Audited Schedules



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graph TD; A[Audited Schedules] --> B[GASB 68 Report]; B --> C[Template Journal Entries]; C --> D[Template Disclosures];
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GASB 68 Report

Template Journal Entries

Template Disclosures

## Resources

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- [www.apa.virginia.gov](http://www.apa.virginia.gov)
  - [Local Government > New Pension Standards](#)
    - Includes the AICPA White Paper Series for pensions, and relevant AU-C interpretations
    - Includes GASB Guide to Implementation of GASB Statement 68 on Accounting and Financial Reporting for Pensions
    - APA's Opinions and GASB 68 Schedules

## Resources

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- [www.varetire.org](http://www.varetire.org)
  - Financial Reporting section
  - Employer Manuals
  - VRS University (KC)
  - *myVRS* Navigator reports for census data

## Contact Information

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- Auditor of Public Accounts
- 804.225.3350
  - [localgovernment@apa.virginia.gov](mailto:localgovernment@apa.virginia.gov)
  - [APAVRSSupport@apa.virginia.gov](mailto:APAVRSSupport@apa.virginia.gov)

# Questions

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