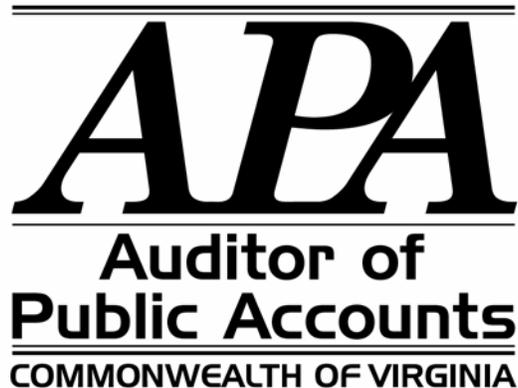


**REPORT TO THE
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION**

**FOR THE QUARTER
JANUARY 1, 2006 TO MARCH 31, 2006**



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Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

January 7, 2004

The Honorable Lacey E. Putney, Chairman
and
Members, Joint Legislative Audit and Review Commission
General Assembly Building
Capitol Square
Richmond, Virginia 23219

This transmits our quarterly summary of reports issued for the period January 1, 2006 through March 31, 2006.

The *Executive Summary* includes reports that may be of special interest to the members of the Commission. We have included a report in the summary for the sole purpose of bringing to your attention matters of significance. These summaries do not include all findings within a report or all reports with findings.

The *Summary of Reports Issued* lists all reports released during the quarter and shows reports that have audit findings.

We will be happy to provide you, at your request, any reports in their entirety or you can find all reports listed in this document at our website <http://www.apa.state.va.us/reports.htm>. We welcome any comments concerning this report or its contents.

Sincerely,

Walter J. Kucharski
Auditor of Public Accounts

WJK:sks

EXECUTIVE SUMMARY

DEPARTMENT OF SOCIAL SERVICES

Properly Manage and Maintain Access to Information Systems

The Department provides central statewide oversight for policies and procedures to 120 locally operated social service agencies. In support of the locally operated social service agencies, the Department has a number of central systems for determining and providing benefits. These central systems operate in diverse environments and include everything from mainframe applications to web-enabled systems.

The Department's oversight of local social service agencies has created some significant security issues over access to the systems and their data. Currently, the Department controls access to its systems at two levels. The Department's Information Security Unit creates, changes, and deletes access for some of the Department's systems, while other individual divisions and local social service agencies have their own security officers for access granting, removal, and modifications. Management of each local social service agency determines what systems and level of access individual employees should have to the Department's systems, which determines the functions an individual can perform when they get into the system. Controlling access is the equivalent of determining who has access to the cash drawer or safe.

We recognize that the cost of addressing these issues could be cost prohibitive and that an ideal solution should come from the Department's overall strategy to replace its systems. However, there are clearly some actions that the Department could undertake in the interim to strengthen controls and provide the groundwork for the long-term solution.

The Department has begun developing a centralized system for monitoring access control listings for all systems as a result of last year's system access finding. The Department should continue developing this database of employees and their access so that the Information Security Unit can eventually use the database to review and verify access. The Security Unit could also use this database to conduct periodic reviews such as having local security officers confirm individual access and, coupled with payroll records, check employee status. Working with internal audit, the divisions, and local offices, the security team could conduct automated verification of access.

The report includes other audit findings.

PERSONAL PROPERTY TAX RELIEF PROGRAM

Item 503 of Chapter 951 of the 2005 Acts of Assembly requires the Auditor of Public Accounts to certify in writing by March 1, 2006, the actual payments to counties, cities, and towns for personal property tax relief for tax year 2004. The certified payments will determine each locality's pro rata share of the \$950 million available for reimbursement pursuant to Chapter 1 of the Acts of Assembly of 2004, Special Session I, beginning in tax year 2006.

The Department of Motor Vehicles (Motor Vehicles) is responsible for reconciling personal property tax relief payments. Motor Vehicles provided us with reconciled reimbursement payments for tax year 2004 made during calendar years 2004 and 2005. Since towns have the option to accept the Department of Taxation estimate instead of submitting for reimbursement, Motor Vehicles also provided the tax year 2004 estimates for the accepting towns.

The certified allocation of the \$950 million is in the report as Exhibit 1 uses the information provided by Motor Vehicles. The amounts allocated represent the actual tax year 2004 personal property tax relief payments made to each county, city, or town compared to the total of all payments to such counties, cities, and towns based on all tax year 2004 reimbursement requests received on or before December 31, 2005. Exhibit 1 shows actual tax year 2004 reimbursement payments to localities, provided to us by Motor Vehicles, and each locality's pro rata share of the \$950 million for tax year 2006 and thereafter.

SECRETARY OF FINANCE

This report summarizes our fiscal year 2005 audit results for the five agencies under the Secretary of Finance. The Departments of Accounts, Planning and Budget, Taxation, and Treasury and the Treasury Board report to the Secretary of Finance. These agencies manage the financial and budgetary transactions of the Commonwealth of Virginia (Commonwealth), from collecting taxes and processing payroll expenses, to distributing aid to localities. The report also includes an analysis of budget and actual activity during the year for each of the agencies.

Overall, our audits of finance agencies for the year ended June 30, 2005, found:

- matters involving internal control and its operations at the Department of Planning and Budget that we communicated to management in the separately issued report entitled "Report on Budget and Appropriation Processing Control System, For the Fiscal Year Ended June 30, 2005";
- recommendations for improving the financial accounting and control operations of the State Comptroller, which we communicated to management in a separately issued report entitled "Review of the Financial Accounting and Control Operations of the State Comptroller, Final Report November 2005"; and
- no instances of noncompliance or other matters with applicable laws and regulations tested that are required to be reported under Government Auditing Standards.

Our report also includes a status of recommendations we made in prior audits to the Departments of Accounts and Treasury to improve the process used to prepare the Comprehensive Annual Financial Report (CAFR). In light of new standards that the American Institute of Certified Public Accountants has proposed, we believe Accounts and Treasury should place additional emphasis on improving the financial reporting process.

If these standards were in place today, there is the potential for a material weakness in the internal controls over the preparation of the annual report due to the number of adjustments that we proposed. A material weakness is the worst category of internal control weakness. A material weakness indicates that internal controls are not sufficient to ensure that the financial statements are free of material misstatements.

VIRGINIA EMPLOYMENT COMMISSION

For the first time in eight years, taxes collected exceeded benefits paid, resulting in the Trust Fund balance increasing from \$296 million over the previous year to \$479 million at the end of fiscal year 2005. In the previous three years, benefit payments exceeded tax collections by more than \$1 billion; however, the application of a mandated fund-building tax rate, increased tax rates, lower level of claims in calendar years 2004 and 2005, and a pool tax rate contributed to the increase in the fund for the current year.

SUMMARY OF REPORTS ISSUED

SUMMARY OF REPORTS ISSUED

The following reports on audit were released by this Office during the period January 1, 2006 through March 31, 2006. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

State Agencies and Institutions

Judicial Branch

Indigent Defense Commission for the period July 1, 2002 through June 30, 2005*

Executive Departments

Administration

State Board of Elections for the year ended June 30, 2005*

Commerce and Trade

Virginia Board of Accountancy for the year ended June 30, 2005

Virginia Employment Commission for the year ended June 30, 2005*

Virginia Tourism Authority for the year ended June 30, 2005*

Education

Department of Education Including Direct Aid To Public Education and Virginia Schools for Deaf and Blind for the year ended June 30, 2005

Colleges and Universities:

George Mason University Intercollegiate Athletic Programs for the year ended June 30, 2005

James Madison University Intercollegiate Athletic Programs for the year ended June 30, 2005

Longwood University Intercollegiate Athletic Programs for the year ended June 30, 2005

Norfolk State University Intercollegiate Athletic Programs for the year ended June 30, 2005

Old Dominion University Intercollegiate Athletic Programs for the year ended June 30, 2005

Radford University for the year ended June 30, 2005*

Radford University Intercollegiate Athletic Programs for the year ended June 30, 2005

Tidewater Community College for the year ended June 30, 2005

University of Virginia for the year ended June 30, 2005

University of Virginia Intercollegiate Athletic Programs for the year ended June 30, 2005

University of Virginia Medical Center for the year ended June 30, 2005

Virginia Commonwealth University for the year ended June 30, 2005*

Virginia Commonwealth University Intercollegiate Athletic Programs for the year ended June 30, 2005

Virginia Military Institute Intercollegiate Athletic Programs for the year ended June 30, 2005

Virginia Polytechnic Institute and State University for the year ended June 30, 2005*

Virginia Polytechnic Institute and State University Intercollegiate Athletics Program for the year ended June 30, 2005
College of William and Mary Intercollegiate Athletic Programs for the year ended June 30, 2005

Finance

Agencies of the Secretary of Finance for the year ended June 30, 2005*
Review of the Budget and Appropriation Processing Control System administered by the Department of Planning and Budget for the fiscal year ended June 30, 2005*

Health and Human Resources

Agencies Serving Virginians with Disabilities for the year ended June 30, 2005*
Department of Social Services for the year ended June 30, 2005*
Department of Mental Health, Mental Retardation, and Substance Abuse Services for the audit period January 1, 2005 through June 30, 2005*
Office of Comprehensive Services for At-Risk Youth and Families for the year ended June 30, 2005
Virginia Department of Health for the year ended June 30, 2005*

Public Safety

Virginia Department of Emergency Management for the year ended June 30, 2005

Special Reports

Commonwealth of Virginia Single Audit Report for the year ended June 30, 2005*
Comparative Report of Local Government Revenue and Expenditures for the fiscal year ended June 30, 2005
Personal Property Tax Relief Program dated February 2006
Summary of Local Government Audit Findings: Enhanced 911 Special Tax Funds, February 1, 2006*
Wireless E-911 Service Board for the year ended June 30, 2005

Clerks of the Circuit Courts

Cities:

County of Bedford Clerk of the Circuit Court for the period April 1, 2004 through December 31, 2005
City of Charlottesville Clerk of Circuit Court for the period April 1, 2004 through December 31, 2005
City of Danville Clerk of the Circuit Court for the period January 1, 2005 through December 31, 2005
City of Fredericksburg Circuit Court for the period January 1, 2005 through December 31, 2005
City of Hampton Clerk of the Circuit Court for the period January 1, 2005 through December 31, 2005
City of Martinsville Clerk of the Circuit Court for the period April 1, 2004 through September 30, 2005
City of Portsmouth Clerk of the Circuit Court for the period January 1, 2005 through December 31, 2005
City of Richmond Clerk of the Circuit Court - John Marshall for the period October 1, 2004 through September 30, 2005
City of Richmond Clerk of the Circuit Court - Manchester for the period October 1, 2004 through September 30, 2005

City of Suffolk Clerk of the Circuit Court for the period January 1, 2005 through December 31, 2005
City of Williamsburg-James City County Clerk of the Circuit Court for the period October 1, 2005
through September 30, 2005
City of Winchester Clerk of the Circuit Court for the period January 1, 2004 through December 31, 2005

Counties:

County of Accomack Clerk of the Circuit Court for the period October 1, 2004 through
September 30, 2005
County of Amelia Clerk of the Circuit Court for the period October 1, 2004 through September 30, 2005
County of Bath Clerk of the Circuit Court for the period April 1, 2004 through September 30, 2005
County of Bedford Clerk of the Circuit Court for the period April 1, 2004 through December 31, 2005
County of Buchanan Clerk of the Circuit Court for the period April 1, 2004 through September 30, 2005*
County of Chesterfield Clerk of the Circuit Court for the period October 1, 2004 through
December 31, 2005
County of Clarke Clerk of the Circuit Court for the period April 1, 2004 through December 31, 2005
County of Cumberland Clerk of the Circuit Court for the period July 1, 2004 through December 31, 2005
County of Fairfax Clerk of the Circuit Court for the period October 1, 2004 through September 30, 2005
County of Giles Clerk of Circuit Court for the period April 1, 2004 through September 30, 2005*
County of Gloucester Circuit Court for the period January 1, 2005 through December 31, 2005
County of Greensville Clerk of the Circuit Court for the period July 1, 2004 through
September 30, 2005*
County of Hanover Clerk of the Circuit Court for the period January 1, 2005 through December 31, 2005
County of Isle of Wight Clerk of the Circuit Court for the period January 1, 2005 through
December 31, 2005
County of King George Clerk of the Circuit Court for the period January 1, 2005 through
December 31, 2005
County of King and Queen Clerk of the Circuit Court for the period October 1, 2004 through
December 31, 2005
County of King William Clerk of the Circuit Court for the period January 1, 2005 through
December 31, 2005
County of Lancaster Clerk of the Circuit Court for the period January 1, 2005 through
December 31, 2005
County of Madison Circuit Court for the period January 1, 2004 through December 31, 2005
County of Mathews Clerk of the Circuit Court for the period January 1, 2005 through December 31, 2005
County of Warren Clerk of the Circuit Court for the period October 1, 2003 through September 30, 2005
County of Wise/City of Norton Clerk of the Circuit Court for the period April 1, 2004 through
September 30, 2005

General Receivers

Cities:

City of Charlottesville General Receiver for the period July 1, 2005 through January 12, 2006

Treasurers

Cities:

City of Bedford Treasurer Turnover Report for the period July 1, 2005 through December 31, 2005

City of Colonial Heights Treasurer Turnover Report for the period July 1, 2005 through
December 31, 2005

City of Staunton Treasurer Turnover Report for the period July 1, 2005 through December 31, 2005

City of Waynesboro Treasure Turnover Report for the period July 1, 2005 through December 31, 2005

Counties:

Treasurer of the County of Buckingham for the period July 1, 2005 through January 31, 2006

Treasurer of the County of Stafford for the period July 1, 2005 through February 10, 2006

