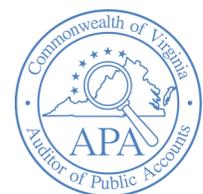




JOINT LEGISLATIVE AUDIT
AND
REVIEW COMMISSION

QUARTERLY REPORT SUMMARY
JANUARY 1, 2015 THROUGH MARCH 31, 2015

Auditor of Public Accounts
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QUARTERLY REPORT SUMMARY - JANUARY 1, 2015, TO MARCH 31, 2015

Audit Activities

The [Summary of Reports Issued](#) section at the end of this report lists all reports issued by the Auditor of Public Accounts or our contracted firms during the period January 1, 2015, to March 31, 2015. Below are highlights from select reports issued during the period. All reports listed in this document are available at our website at http://www.apa.virginia.gov/APA_Reports/Reports.aspx.

Special Reports

Review of Audit Oversight and Provisions of Supervisory Entities

This report, a follow up to our 1999 review, describes our review of the legislative process for the creation and oversight provisions of supervisory entities. We have determined the current statutory language for the creation, monitoring, and oversight of authorities, boards, commissions, and other political subdivisions is still inconsistent, with no changes occurring to this process since our 1999 review. Additionally, there is no complete list of these supervisory entities to enable effective monitoring of audit and reporting compliance. The [Full Report](#) and [Executive Summary](#) are available on our website.

Review of Capital Project Cash Flow Requirements

Acts of Assembly Chapter 806 of the 2013 Session of the General Assembly required the Auditor of Public Accounts to report on the adherence to the cash flow requirements for each capital project funded in Chapter 806, Item C-39.40 and any deviation in necessary project appropriation and allotment, which creates a delay in the progress of the projects. This report reviews these capital projects and their related cash flows. It also reviews the involvement of the Departments of Planning and Budget, General Services, and Treasury and the role that the Six-Year Capital Outlay Advisory Committee plays in these processes to determine where delays occurred. We found that the capital project cash flow requirements process is effective; however, projects experienced occasional delays in obtaining planning funds from the Central Capital Planning Fund, getting approval to move to construction from the Advisory Committee, and getting approval to access construction funding. The [Full Report](#) and [Executive Summary](#) are available on our website.

Statewide Travel Review – Interim Report

This [Statewide Travel Review - Interim Report](#) provides information on the initial phase of our review of statewide travel expenses. We reviewed the Commonwealth's travel policies and analyzed statewide travel expenses for fiscal years 2012 and 2013. Statewide travel expenses were almost \$200 million annually in fiscal years 2012 and 2013, with university travel making up approximately two thirds of all travel expenses. Four of the top five spending agencies in terms of travel expenses were universities – Virginia Tech, UVA (academic), VCU, and George Mason University. Of these, Virginia Tech had the highest travel expenses with over \$42 million in fiscal year 2013, followed by

UVA with \$32 million. We found there were significant differences in how travel expenses were processed and managed at each of the top four universities. This includes the level of automation in the process as well as the use of travel contracts for arranging university travel.

In the next phase of our review, we plan to expand our analysis of travel expenses to include fiscal year 2014 data to identify any additional statewide or agency specific trends. We also plan to analyze different organizational models and approaches to managing travel to include the costs and benefits of contracting, and whether statewide travel contracts would result in savings by leveraging the state's purchasing power. Lastly, we plan to survey agencies and universities on different technologies and strategies they are using to minimize travel expenses. We intend to complete this review and issue a report by Winter 2016.

Agency Reports

[Norfolk State University](#)

During our audit of [Norfolk State University](#) for the fiscal year ended June 30, 2014, we identified three findings we consider material weaknesses in internal control and three findings we consider significant deficiencies in internal control. The current audit report discloses specific lapses in control during fiscal year 2014, as well as the status of the institution's corrective action plan for the findings previously disclosed. Specific findings included in our report relate to deficiencies in policies and processes; maintenance of appropriate supporting documentation; fixed asset management; accounts payable processes; system access controls; and data entry for the Virginia Retirement System Navigator (VNAV) system. The University has implemented appropriate corrective action for findings from the fiscal year ended June 30, 2013, that are not included in this report.

[Virginia Department of State Police](#)

During our audit of the [Virginia Department of State Police](#) for the fiscal years ended June 30, 2012, and June 30, 2013, we identified nine internal control and compliance findings, and one Commonwealth-wide risk alert. Five of the nine findings were related to the agency's information technology (IT) environment and overall systems security posture. The risk alert specifically addresses the fact that, despite significant investment in resources, State Police and VITA have yet to successfully come to an agreement on if and how State Police's IT infrastructure should be transformed. The risk alert also points out that in its current state, State Police does not have the staff, hardware, or software to adequately secure the data that the agency is charged with protecting. Additionally, three of the five information technology findings are repeat findings from prior year's audit. The remaining internal control and compliance findings address the lack of internal controls and processes over the agency's capital assets, small purchase charge card program, work zone project billings, and record retention schedules.

Virginia Employment Commission

During our audit of the Virginia Employment Commission, we identified a number of internal control and compliance findings that we believe are either directly, or indirectly, related to a lack of resources available due to several ongoing system development projects. To address the project needs, the Commission allocated a number of key personnel to these projects, which has caused reassignment of key job responsibilities to other staff and shifting of responsibilities within the Commission. While these resource issues affect operations across the Commission, we found a significant number of issues in the information systems security area. These are of particular concern given the sensitivity of information maintained in the Commission's information systems.

These system development projects have also affected the Commission's ability to transform their information technology infrastructure assets to the Commonwealth's IT Infrastructure Partnership with Northrop Grumman (IT Partnership). As a result of the delay in transformation, the Commission has had to allocate resources, both people and money, to support technologies that are not covered by the IT Partnership. The transformation delay has also resulted in the Commission paying additional "legacy fees" to the IT Partnership to support its non-transformed technology environment. This situation has put additional strains on the Commission's IT staff and funding, further reducing the ability of the Commission to properly maintain critical aspects of their IT environment. The [Full Report](#) and [Executive Summary](#) are available on our website.

Secretarial Reports

We look for opportunities to communicate the results of our agency audits in a manner that is most useful to report users. Therefore, we have chosen to use "Secretarial" reports for three secretarial areas: Finance, Health and Human Resources, and Transportation. These areas lend themselves to secretary-wide reporting as we complete work at the majority of agencies under each of these secretarial areas in the same timeframe as we are performing work to support the Commonwealth's Comprehensive Annual Financial Report Audit and Single Audit of federal funds. We issued all of these secretarial reports in this quarter and provide a brief summary of each below.

During our review of the agencies of the [Secretary of Finance](#), we noted significant initiatives and issues affecting the agencies including the status of system development projects, statewide implementation of new federal grant requirements, pension accounting changes, and the shared responsibilities for management of retirement system member data. Additionally ten internal control and compliance findings relating to operating and application system controls are included in the report.

This report contains our results of auditing the five largest agencies under the [Secretary of Health and Human Resources](#). This report contains one risk alert related to the Department of Behavioral Health and Developmental Services. Additionally, it contains 44 internal control and compliance findings. Seven of the findings relate to the Special Supplemental Nutrition Program for Women, Infants, and Children at the Department of Health, six of which we classified as material

weaknesses. Given the volume of findings in this report, we have prepared an [Executive Summary](#) highlighting the issues noted during our audits.

During our review of the agencies of the [Secretary of Transportation](#), we noted several internal control and compliance findings regarding financial transaction processing and reporting, information technology security management, federal compliance, maintenance project management, payroll processing, and small purchase charge card program management. We made several recommendations to the Departments of Transportation, Motor Vehicles, and Rail and Public Transportation to improve their processes, policies and procedures over these areas within the report. One of the 18 findings included in the report, the finding entitled “Improve Controls over Financial Reporting,” was considered a repeat finding and also classified as a material weakness.

[Other Reports](#)

During the quarter, we issued the [Commonwealth of Virginia Single Audit Report](#), which contains findings and recommendations significant to the Commonwealth’s financial statements and selected federal programs. For fiscal year 2014, \$13 billion in federal expenses were subject to audit under the Single Audit. Our audit covered 17 federal programs administered by the Commonwealth. The Single Audit Report contains 105 findings; 54 relate to the Commonwealth’s financial statements; 25 relate to federal compliance; and 26 relate to both the Commonwealth’s financial statements and federal compliance. Of the total findings, ten are classified as material weaknesses. Finally, we issued an unmodified opinion on the Commonwealth’s compliance with requirements applicable to each federal program tested, except for the Special Supplemental Nutrition Program for Women, Infants, and Children at the Department of Health, which was qualified.

We also issued our Comparative Report of Local Government Revenues and Expenditures for the fiscal year ended June 30, 2014, which is available on our website at http://www.apa.state.va.us/APA_Reports/LG_ComparativeReports.aspx.

[Other Activities](#)



[Recognition as a Top Workplace](#)

During fiscal year 2015 we participated in Richmond’s Top Workplaces event sponsored by the Richmond Times-Dispatch and Workplace Dynamics. To participate employers and their employees completed anonymous surveys about their workplace. On March 23rd, as a result of the feedback received from our staff, the Auditor of Public Accounts was recognized as one of Richmond’s Top 50 Workplaces in an article in the [Richmond Times-Dispatch](#). This is the second consecutive year that we have received this recognition.

Participation with State, Local, and Other Groups

In addition to our audit activities, we participate in other activities to assist in our mission to improve accountability and financial management in the Commonwealth. During the quarter we participated in the activities of various state, local, and other groups including providing information on a variety of topics and attending events as highlighted below.

Group	Presentation / Training Topic
Capital Outlay Subcommittee of the Senate Finance Committee	Presented information on our recently issued report on the Review of Capital Project Cash Flow Requirements.
Association of Clerks of the District Courts of Virginia Spring Workshop and Annual Meeting	Presented information on the APA audit process including the focus of our audit procedures and common audit findings.

Monitoring Accounting and Auditing Standards

During the quarter our Office reviewed several documents issued for comment by the standard setting entity that governs the accounting standards that Virginia state and local governments must follow when reporting their financial activity. Being a part of this process allows us to stay informed of upcoming changes so that we can provide technical advice to state and local governments in the Commonwealth. In addition, by providing feedback to the standard setting bodies on proposed changes we help protect the interests of the Commonwealth in circumstances where we do not agree with the proposed changes. Below are the documents that we reviewed and provided responses to the applicable standard setting entity during this quarter.

Standard Setting Entity	Document Reviewed
GASB*	Preliminary Views: <i>Financial Reporting for Fiduciary Responsibilities</i>
GASB*	Preliminary Views: <i>Leases</i>
GASB*	Exposure Draft: <i>Tax Abatement Disclosures</i>

*Governmental Accounting Standards Board

SUMMARY OF REPORTS ISSUED

The following reports on audit were released by this Office or our contracted firms during the period January 1, 2015, to March 31, 2015. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

Independent Agencies

Internal Control Report on Local Government Investment Pool, Virginia College Building Authority, Virginia Public Building Authority, and Virginia Public School Authority for the year ended June 30, 2014

State Corporation Commission for the year ended June 30, 2014*

Virginia Retirement System for the year ended June 30, 2014*

Executive Departments

Office of the Attorney General and Department of Law and the Division of Debt Collection for the year ended June 30, 2014*

Administration

Compensation Board for the year ended June 30, 2014*

Department of Human Resource Management for the year ended June 30, 2014*

Commerce and Trade

Virginia Employment Commission for the year ended June 30, 2014*

Department of Housing and Community Development – Virginia Removal or Rehabilitation of Derelict Structures Fund – for the year ended June 30, 2014

Education

Department of Education including Direct Aid to Public Education for the year ended June 30, 2014*

Colleges and Universities

Danville Community College – Review Report for the year ended June 30, 2014
George Mason University Intercollegiate Athletics Programs for the year ended June 30, 2014
James Madison University Intercollegiate Athletics Programs for the year ended June 30, 2014
Longwood University Intercollegiate Athletics Programs for the year ended June 30, 2014
Norfolk State University for the year ended June 30, 2014*
Norfolk State University Intercollegiate Athletics Programs for the year ended June 30, 2014
Old Dominion University Intercollegiate Athletics Programs for the year ended June 30, 2014
Radford University Intercollegiate Athletics Programs for the year ended June 30, 2014
Southwest Virginia Community College – Review Report for the year ended June 30, 2014
The College of William and Mary of Virginia Intercollegiate Athletics Programs for the year ended June 30, 2014
Thomas Nelson Community College – Review Report for the year ended June 30, 2014
University of Virginia Intercollegiate Athletics Programs for the year ended June 30, 2014
Virginia Commonwealth University Intercollegiate Athletics Programs for the year ended June 30, 2014
Virginia Military Institute Intercollegiate Athletics Programs for the year ended June 30, 2014
Virginia Polytechnic Institute and State University for the year ended June 30, 2014
Virginia Polytechnic Institute and State University Intercollegiate Athletics Programs for the year ended June 30, 2014
Wytheville Community College – Review Report for the year ended June 30, 2014

Finance

Secretary of Finance for the year ended June 30, 2014*

Health and Human Resources

Agencies of the Secretary of Health and Human Resources for the year ended June 30, 2014*

Natural Resources

Rappahannock River Basin Commission for the year ended June 30, 2014

Public Safety

Department of Military Affairs – National Guard Military Operations and Maintenance Projects
Federal Grant – for the year ended June 30, 2014

Emergency Management Performance and State Homeland Security Program Federal Grants
for the year ended June 30, 2014
Virginia State Police for the years ended June 30, 2012, and June 30, 2013*

Technology

Innovation and Entrepreneurship Investment Authority and Center for Innovative Technology
for the year ended June 30, 2014

Transportation

Agencies of the Secretary of Transportation for the year ended June 30, 2014*

Special Reports

Commonwealth of Virginia Single Audit Report for the year ended June 30, 2014*
Report on Collections of Commonwealth Revenues by Local Constitutional Officers for the year
ended June 30, 2014*
Report to the Joint Legislative Audit and Review Commission for the quarter October 1, 2014
through December 31, 2014
Review of Audit Oversight and Provisions of Supervisory Entities – February 2015*
Review of Capital Project Cash Flow Requirements – January 2015*
Review of Compliance with the Federal Payments in Lieu of Taxes (PILT) Act for the period
October 1, 2013 through September 30, 2014
Statewide Review of Travel Expenses, Interim Report – January 2015*

Clerks of the Circuit Courts

Cities:

City of Charlottesville – April 1, 2013, through September 30, 2014*
City of Colonial Heights – January 1, 2013, through September 30, 2014
City of Hopewell – April 1, 2013, through December 31, 2014
City of Norfolk – January 1, 2013, through September 30, 2014
City of Suffolk – April 1, 2013, through September 30, 2014

Counties:

County of Accomack – January 1, 2013, through June 30, 2014*
County of Albemarle – April 1, 2013, through September 30, 2014*
County of Augusta (Turnover) as of December 31, 2014

County of Bland – April 1, 2013, through December 31, 2014
County of Chesterfield (Turnover) as of November 9, 2014
County of Clarke – October 1, 2013, through December 31, 2014
County of Fauquier – April 1, 2013, through September 30, 2014
County of Goochland (Turnover) – January 1, 2014, through December 31, 2014
County of Hanover – January 1, 2013, through September 30, 2014
County of Lee (Turnover) as of April 8, 2014
County of Mecklenburg – July 1, 2013, through June 30, 2014
County of Rappahannock – July 1, 2013, through June 30, 2014
County of Russell – April 1, 2013, through December 31, 2014
County of Smyth – April 1, 2013, through December 31, 2014
County of Warren – April 1, 2013, through September 30, 2014
County of Westmoreland – January 1, 2014, through December 31, 2014
County of Wythe – January 1, 2013, through September 30, 2014

State Accounts

Cities:

City of Williamsburg (Turnover) as of December 31, 2014

Counties:

County of James City (Turnover) as of December 31, 2014
County of Westmoreland (Turnover) as of December 31, 2014

General Receivers

Cities:

City of Alexandria for the year ended June 30, 2014
City of Alexandria (Turnover) as of August 31, 2014

Counties:

County of Russell for the year ended June 30, 2014

Magistrates

Cities:

City of Chesapeake – November 1, 2013, through June 30, 2014
City of Hopewell – November 1, 2013, through June 30, 2014*
City of Norfolk – November 1, 2013, through June 30, 2014

City of Petersburg – November 1, 2013, through June 30, 2014
City of Portsmouth – November 1, 2013, through June 30, 2014
City of Suffolk – November 1, 2013, through June 30, 2014

Counties:

Counties of Accomack and Northampton – November 1, 2013, through June 30, 2014
County of Amherst – July 1, 2013, through June 30, 2014
County of Appomattox – July 1, 2012, through June 30, 2014
County of Augusta – November 1, 2013, through June 30, 2014
County of Bedford – July 1, 2012, through June 30, 2014
County of Campbell – November 1, 2013, through June 30, 2014
County of Culpeper – April 1, 2013, through December 31, 2014
County of Greensville – November 1, 2013, through June 30, 2014
County of Henry – July 1, 2012, through June 30, 2014
County of Lunenburg – November 1, 2013, through June 30, 2014
County of Page – November 1, 2013, through June 30, 2014
County of Pittsylvania – July 1, 2012, through June 30, 2014
County of Prince Edward – July 1, 2012, through June 30, 2014
County of Shenandoah – November 1, 2013, through June 30, 2014
County of Sussex – November 1, 2013, through June 30, 2014
County of Warren – November 1, 2013, through June 30, 2014

Combined General District Court

Cities:

City of Buena Vista – July 1, 2013, through June 30, 2014
City of Colonial Heights – July 1, 2013, through June 30, 2014
City of Emporia – July 1, 2013, through June 30, 2014
City of Galax – July 1, 2013, through June 30, 2014

Counties:

County of Amelia – July 1, 2013, through June 30, 2014
County of Brunswick – July 1, 2013, through June 30, 2014
County of Buchanan – July 1, 2013, through June 30, 2014
County of Dickenson – July 1, 2013, through June 30, 2014
County of Dinwiddie – July 1, 2013, through June 30, 2014
County of Greene – July 1, 2013, through June 30, 2014
County of Greensville – July 1, 2013, through June 30, 2014
County of Lee – July 1, 2013, through June 30, 2014
County of Lunenburg – July 1, 2013, through June 30, 2014
County of Madison – July 1, 2013, through June 30, 2014

County of Nottoway – July 1, 2013, through June 30, 2014
County of Prince Edward – July 1, 2012, through June 30, 2014*
County of Prince George – July 1, 2013, through June 30, 2014
County of Rappahannock – July 1, 2013, through June 30, 2014
County of Surry – July 1, 2013, through June 30, 2014
County of Sussex – July 1, 2013, through June 30, 2014

General District Courts

Cities:

City of Chesapeake – July 2, 2013, through June 30, 2014*
City of Martinsville – July 1, 2012, through June 30, 2014
City of Norfolk – July 1, 2013, through June 30, 2014
City of Portsmouth – July 1, 2013, through June 30, 2014
City of Staunton – July 1, 2013, through June 30, 2014
City of Suffolk – July 1, 2013, through June 30, 2014
City of Waynesboro – July 1, 2013, through June 30, 2014

Counties:

County of Accomack – July 1, 2013, through June 30, 2014
County of Albemarle – July 1, 2013, through June 30, 2014
County of Amherst – July 1, 2013, through June 30, 2014
County of Appomattox – July 1, 2013, through June 30, 2014
County of Augusta – July 1, 2013, through June 30, 2014
County of Bedford – July 1, 2012, through June 30, 2014*
County of Campbell – July 1, 2013, through June 30, 2014
County of Culpeper – July 1, 2013, through June 30, 2014
County of Gloucester – July 1, 2013, through June 30, 2014
County of Henry – July 1, 2012, through June 30, 2014
County of Isle of Wight – July 1, 2013, through June 30, 2014*
County of King William – July 1, 2012, through June 30, 2014
County of Lancaster – July 1, 2013, through June 30, 2014
County of Mecklenburg – July 1, 2013, through June 30, 2014
County of Northampton – July 1, 2013, through June 30, 2014
County of Page – July 1, 2013, through June 30, 2014
County of Petersburg – July 1, 2013, through June 30, 2014*
County of Pittsylvania – July 1, 2012, through June 30, 2014
County of Rockbridge – July 1, 2013, through June 30, 2014*
County of Rockingham – July 1, 2013, through June 30, 2014
County of Shenandoah – July 1, 2013, through June 30, 2014*
County of Warren – July 1, 2013, through June 30, 2014
County of Westmoreland – July 1, 2013, through June 30, 2014

Juvenile and Domestic Relations Court

Cities:

City of Danville – July 1, 2012, through June 30, 2014*
City of Martinsville – July 1, 2012, through June 30, 2014*
City of Norfolk – July 1, 2013, through June 30, 2014
City of Portsmouth – July 1, 2013, through June 30, 2014
City of Richmond – July 1, 2013, through June 30, 2014
City of Staunton – July 1, 2013, through June 30, 2014*
City of Suffolk – July 1, 2013, through June 30, 2014*
City of Waynesboro – July 1, 2013, through June 30, 2014

Counties:

County of Amherst – July 1, 2013, through June 30, 2014
County of Augusta – July 1, 2013, through June 30, 2014*
County of Campbell – July 1, 2013, through June 30, 2014
County of Clarke – July 1, 2013, through June 30, 2014
County of Culpeper – July 1, 2013, through June 30, 2014
County of Fauquier – July 1, 2013, through June 30, 2014
County of Gloucester – July 1, 2013, through June 30, 2014
County of Henry – July 1, 2012, through June 30, 2014*
County of Mathews – July 1, 2013, through June 30, 2014
County of Mecklenburg – July 1, 2013, through June 30, 2014
County of Middlesex – July 1, 2013, through June 30, 2014
County of New Kent – July 1, 2013, through June 30, 2014
County of Northampton – July 1, 2013, through June 30, 2014
County of Page – July 1, 2013, through June 30, 2014
County of Pittsylvania – July 1, 2012, through June 30, 2014*
County of Rockbridge – July 1, 2013, through June 30, 2014*
County of Rockingham – July 1, 2013, through June 30, 2014
County of Shenandoah – July 1, 2013, through June 30, 2014
County of Warren – July 1, 2013, through June 30, 2014
County of Westmoreland – July 1, 2013, through June 30, 2014
County of Wise – July 1, 2012, through June 30, 2014

*Denotes management control finding