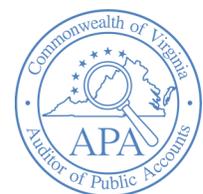




JOINT LEGISLATIVE AUDIT  
AND  
REVIEW COMMISSION

QUARTERLY REPORT SUMMARY  
JANUARY 1, 2016 THROUGH MARCH 31, 2016

Auditor of Public Accounts  
Martha S. Mavredes, CPA  
[www.apa.virginia.gov](http://www.apa.virginia.gov)  
(804) 225-3350



## QUARTERLY REPORT SUMMARY - JANUARY 1, 2016, TO MARCH 31, 2016

### 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, 2016, to March 31, 2016. 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](http://www.apa.virginia.gov/APA_Reports/Reports.aspx).

### *Special Reports*

#### Review of Capital Project Cash Flow Requirements

This is the Auditor of Public Accounts second annual report to satisfy the Acts of Assembly Chapter 806 of the 2013 Session requirement to report on the adherence to the cash flow requirements for each project within Chapter 806 and any deviation in necessary project appropriation and allotment, which creates a delay in the progress of the projects. We found that the capital project cash flow requirements process is effective; however, one Chapter 806 project and multiple Chapter 2 projects experienced some delays in obtaining planning funds from the Central Capital Planning Fund because it is not adequately funded. The Advisory Committee is meeting quarterly to evaluate capital projects. Planning and Budget, General Services, and Treasury are monitoring the \$250 million annual debt limit, and to date Chapter 806 capital project expenditures have not exceeded the limit. Accounts is transferring planning money from bond funded projects back to the Central Capital Planning Fund timely based on Planning and Budget's request. However, Planning and Budget does not always timely reimburse the Central Capital Planning Fund when projects are approved for construction because inadequate funding causes Planning and Budget to have to prioritize the use of planning funds and try to find alternative funding for planning before they can reimburse and fund projects. The report includes three recommendations. The [Full Report](#) is available on our website.

### *Agency Reports*

#### Virginia Employment Commission

During our audit of the [Virginia Employment Commission](#) for the fiscal year ended June 30, 2015, we noted that the lack of available resources continues to impact operations across the Commission, including its ability to maintain an information system security program consistent with the Commonwealth's security standards. We identified a number of internal control and compliance findings, including several that we classified as material weaknesses, that we believe are either directly, or indirectly, related to the lack of available resources. Over the last several years, the Commission has devoted a considerable amount of resources to several system development projects, one of which is still ongoing. This has caused reassignment of key job responsibilities to other staff and shifting of responsibilities at the Commission. Additionally, the Commission continues to experience increases in employee turnover and information technology maintenance

costs and decreases in federal administrative funding. Our report also includes information concerning a special study we performed to identify potential instances of improper payments to deceased individuals and gain an understanding of the Commission's processes for preventing and detecting these payments within the Unemployment Insurance program.

### *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 (CAFR) 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.

Our [Agencies of the Secretary of Finance](#) report contains the results of auditing the five agencies under the Secretary of Finance and arises from our work on the Commonwealth's CAFR. The report contains information on two significant initiatives including the status of the implementation of the Cardinal System, the Commonwealth's new accounting and financial reporting system, and an emphasize on the need to modernize the financial reporting processes. Also, the report includes one risk alert covering services provided by Commonwealth's Information Technology Infrastructure Partnership with Northrop Grumman. Additionally, the report contains internal control and compliance findings related to the following departments (number of findings): Accounts (4), Planning and Budget (1), Taxation (5), and Treasury (3).

Our [Agencies of the Secretary of Health and Human Resources](#) report contains the results of auditing the four largest agencies under the Secretariat in support of our audit of the Commonwealth's CAFR and Single Audit of federal funds. This report contains two risk alerts. One relates to the Department of Behavioral Health and Developmental Services and the other covers services provided by the Commonwealth's Information Technology Infrastructure Partnership with Northrop Grumman. Additionally, the report contains 38 internal control and/or compliance findings, which relate to the following departments (number of findings): Behavioral Health and Developmental Services (21), Health (7), Medical Assistance Services (6), and Social Services (4).

Our [Agencies of the Secretary of Transportation](#) report contains the results of auditing the two largest agencies under the Secretary of Transportation: the Departments of Transportation and Motor Vehicles, in support of our audit of the Commonwealth's CAFR and Single Audit of federal funds. The report contains a risk alert related to the Commonwealth of Virginia's Information Technology Infrastructure Partnership with Northrop Grumman. The report contains a material weakness related to Department of Transportation's financial reporting. Additionally, it contains 19 findings (10 for Transportation and 9 for Motor Vehicles) related to information systems management, as well as improving internal controls and compliance with internal and Commonwealth policies and procedures.

## Higher Education Institution Reports

### The College of William and Mary in Virginia, Virginia Institute of Marine Science, and Richard Bland College

During our audit of the [College of William and Mary](#), which includes Richard Bland College, for the fiscal year ended June 30, 2015, we identified ten individual internal control and/or compliance findings. We identified inappropriate access to information systems at both colleges and recommend they both recommend strengthen the access review processes. We identified weaknesses in entering and reconciling human resource records to the *myVRS* Navigator system at the College of William and Mary and recommend ensuring documentation shows this was performed properly and issues were resolved in a timely manner. At the College of William and Mary, we also made a recommendation to improve database security. At Richard Bland College, we identified an opportunity to improve internal controls over financial reporting, which we consider to be a material weakness. Also at Richard Bland College, we identified internal control deficiencies in expense vouchers, small purchase charge card reconciliations, the information security program, and an instance of non-compliance with the Department of Human Resource Management’s policy for wage employees and recommend implementing and strengthening policies over each of these areas.

### Virginia State University

During our audit of [Virginia State University](#) for the fiscal year ended June 30, 2015, we noted improvements in several areas including procurement and financial management relative to budgeting. The University continues to have opportunities to improve in several areas including their financial analyses and forecasts, compliance with the Commonwealth’s security standards, review of vendor controls over hosted systems and data, and capitalized equipment inventory.

## 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 2015, \$13 billion in federal expenses were subject to audit under the Single Audit. Our audit covered 20 federal programs administered by the Commonwealth. The Single Audit Report contains 110 findings; 81 relate to the Commonwealth’s financial statements; 13 relate to federal compliance; and 16 relate to both the Commonwealth’s financial statements and federal compliance. Of the total findings, five are classified as material weaknesses. We issued an unmodified opinion on the Commonwealth’s compliance with requirements applicable to each federal program tested.

## Other Activities



### Recognition as a Top Workplace

During fiscal year 2016 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 6th, as a result of the feedback received from our staff, the Auditor of Public Accounts (APA) was recognized as one of Richmond’s Top 60 Workplaces in an article in the [Richmond Times Dispatch](#). This is the third consecutive year that we have received this recognition and the APA is one of only 22 employers that have been on the list for each of the three years it has been in existence.

### Monitoring Accounting and Auditing Standards

During the quarter, staff from 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
<b>AICPA</b>	2016 Audit Guide for <i>Government Auditing Standards</i> and Single Audits
<b>GASB</b>	Exposure Draft: <i>Certain Asset Retirement Obligations</i>
<b>GASB</b>	Exposure Draft: <i>Fiduciary Activities</i>
<b>GASB</b>	Exposure Draft: <i>Pension Issues</i>
<b>OMB</b>	2016 Data Collection Form for Single Audits

*AICPA* American Institute of Certified Public Accountants  
*GASB* Governmental Accounting Standards Board  
*OMB* Office of Management and Budget

## SUMMARY OF REPORTS ISSUED

The following reports on audit were released by this Office or its contracted firms during the period January 1, 2016, to March 31, 2016. Those reports which included findings in the area of internal controls or compliance are indicated by an (\*) asterisk.

### Judicial Branch

Indigent Defense Commission for the period July 1, 2012 through June 30, 2015\*

### Independent Agencies

Fort Monroe Authority for the year ended June 30, 2015  
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, 2015  
Virginia Retirement System for the year ended June 30, 2015\*

### Executive Departments

Office of the Attorney General and Department of Law and the Division of Debt Collection for the year ended June 30, 2015

### Administration

Department of Human Resource Management for the year ended June 30, 2015\*

### Commerce and Trade

Virginia Employment Commission for the year ended June 30, 2015\*  
Virginia Tourism Authority for the year ended June 30, 2015

### Education

Department of Education including Direct Aid to Public Education for the year ended June 30, 2015\*

## Colleges and Universities

George Mason University Intercollegiate Athletics Programs for the year ended June 30, 2015  
James Madison University Intercollegiate Athletics Programs for the year ended June 30, 2015  
Longwood University Intercollegiate Athletics Programs for the year ended June 30, 2015  
Norfolk State University Intercollegiate Athletics Programs for the year ended June 30, 2015  
Old Dominion University Intercollegiate Athletics Programs for the year ended June 30, 2015  
Radford University Intercollegiate Athletics Programs for the year ended June 30, 2015  
The College of William and Mary in Virginia Intercollegiate Athletics Programs for the year ended June 30, 2015  
The College of William and Mary in Virginia, Virginia Institute of Marine Science, and Richard Bland College for the year ended June 30, 2015\*  
Tidewater Community College Reaccreditation Review for the year ended June 30, 2015  
University of Virginia Intercollegiate Athletics Programs for the year ended June 30, 2015  
Virginia Commonwealth University for the year ended June 30, 2015\*  
Virginia Commonwealth University Intercollegiate Athletics Programs for the year ended June 30, 2015  
Virginia Military Institute Intercollegiate Athletics Programs for the year ended June 30, 2015  
Virginia Polytechnic Institute and State University Intercollegiate Athletics Programs for the year ended June 30, 2015  
Virginia State University for the year ended June 30, 2015\*

## Finance

Secretary of Finance for the year ended June 30, 2015\*

## Health and Human Resources

Agencies of the Secretary of Health and Human Resources for the year ended June 30, 2015\*  
Virginia Foundation for Healthy Youth for the year ended June 30, 2015

## Natural Resources

Rappahannock River Basin Commission for the year ended June 30, 2015  
Clean Water State Revolving Fund Cluster Federal Program, administered by the Department of Environmental Quality for the year ended June 30, 2015

## Technology

Innovation and Entrepreneurship Investment Authority, including its blended component unit, the Center for Innovative Technology, for the year ended June 30, 2015  
Wireless E-911 Services Board for the years ended June 30, 2013, and June 30, 2014

## Transportation

Agencies of the Secretary of Transportation for the year ended June 30, 2015\*

## Special Reports

Commonwealth of Virginia Single Audit Report for the year ended June 30, 2015\*  
Report on Collections of Commonwealth Revenues by Local Constitutional Officers for the year ended June 30, 2015\*  
Report to the Joint Legislative Audit and Review Commission for the quarter October 1, 2015 through December 31, 2015  
Review of Capital Project Cash Flow Requirements – Fiscal Year 2015\*  
Review of Compliance with the Federal Payments in Lieu of Taxes (PILT) Act for the period October 1, 2014 through September 30, 2015

## Clerks of the Circuit Courts

### *Cities:*

Bristol – January 1, 2014 through September 30, 2015  
Lynchburg – April 1, 2014 through December 31, 2015\*  
Norfolk – October 1, 2014 through September 30, 2015  
Radford – January 1, 2014 through September 30, 2015  
Salem – April 1, 2014 through December 31, 2015\*  
Williamsburg-James City - December 30, 2015❖

### *Counties:*

Albemarle - December 30, 2015❖  
Amherst - December 30, 2015❖  
Appomattox – April 1, 2014 through December 31, 2015  
Augusta – January 1, 2014 through September 30, 2015  
Bath - December 29, 2015❖  
Carroll – January 1, 2014 through February 28, 2015❖  
Charles City - December 31, 2015❖  
Charlotte - December 31, 2015❖

Essex – July 1, 2014 to December 31, 2015  
 Floyd - December 30, 2015 ❖  
 Fluvanna - December 30, 2015 ❖  
 Goochland – January 1, 2014 through December 31, 2015  
 Grayson – April 1, 2014 through December 31, 2015  
 Henrico - December 30, 2015 ❖  
 Henry - December 30, 2015 ❖  
 Highland - December 30, 2015 ❖  
 Isle of Wight – July 1, 2014 through December 31, 2015  
 James City/City of Williamsburg - July 1, 2014 through December 31, 2015  
 King and Queen - December 31, 2015 ❖  
 Loudoun – January 1, 2014 through September 30, 2015  
 Mecklenburg - December 31, 2015 ❖  
 New Kent - December 31, 2015 ❖  
 Page - December 31, 2015 ❖  
 Pittsylvania - December 30, 2015 ❖  
 Richmond - December 31, 2015 ❖  
 Roanoke – April 1, 2014 through December 31, 2015\*  
 Rockingham – July 1, 2014 through June 30, 2015\*  
 Shenandoah - December 31, 2015 ❖  
 Shenandoah – July 1, 2014 through September 15, 2015\*  
 Southampton – April 1, 2014 through September 30, 2015\*  
 Stafford - December 29, 2015 ❖  
 Warren - December 31, 2015 ❖  
 Washington – April 1, 2014 through December 31, 2015

**State Accounts (for the year ended June 30, 2015)**

***Cities:***

Bristol	Fredericksburg
Colonial Heights	Radford
Colonial Heights – January 29, 2016 ❖	Richmond*
Fairfax	Williamsburg

**Counties:**

Accomack  
Caroline  
Charlotte  
Cumberland  
Dickenson – December 30, 2015 ❖  
Dinwiddie  
Essex  
Fairfax  
Grayson  
Greensville  
James City  
King & Queen  
King George – December 31, 2015 ❖

King William  
Mecklenburg  
New Kent  
Nottoway – December 31, 2015 ❖  
Orange – December 31, 2015 ❖  
Patrick  
Pittsylvania – December 30, 2015 ❖  
Richmond – December 31, 2015 ❖  
Rockingham  
Spotsylvania  
Surry – December 31, 2015 ❖  
Wythe – December 30, 2015 ❖

**General Receivers (for the year ended June 30, 2015)**

**Cities:**

Lynchburg

**Counties:**

Arlington  
Buchanan  
Lee  
Loudoun  
Russell

**General District Courts (for the year ended June 30, 2015)**

**Cities:**

Chesapeake  
Colonial Heights  
Fredericksburg  
Newport News  
Newport News (Civil Division)  
Newport News (Criminal Division)  
Norfolk  
Portsmouth  
Richmond (Civil Division)  
Richmond (Traffic Division)  
Suffolk  
Waynesboro  
Williamsburg/James City

**Counties:**

Accomack	Mathews
Amherst	Mecklenburg
Clarke	Middlesex
Culpeper	Page
Gloucester	Prince William
Henrico	Shenandoah
Isle of Wight*	Washington
King William	Westmoreland

**Juvenile and Domestic Relations Courts (for the year ended June 30, 2015)**

**Cities:**

Alexandria*	Norfolk
Bristol	Portsmouth
Chesapeake	Suffolk
Colonial Heights	Virginia Beach
Fredericksburg	Waynesboro*
Newport News*	

**Counties:**

Accomack	Mathews
Amherst	Mecklenburg
Clarke	Middlesex
Culpeper	Page
Fauquier	Prince William
Gloucester	Shenandoah
Henrico*	Spotsylvania
Isle of Wight	Stafford
King & Queen	Tazewell
King William	Washington

**Combined District Courts (for the year ended June 30, 2015)**

**Cities:**

Emporia  
Franklin

**Counties:**

Amelia  
Charles City  
Dinwiddie  
Essex  
Fluvanna  
Greensville

King George  
Lunenburg  
Nottoway  
Rappahannock  
Russell  
Surry

**Magistrates (for the year ended June 30, 2015)**

6th District: Brunswick County, City of Emporia, Greensville County, City of Hopewell, Prince George County, Surry County, Sussex County

28th District: Bland County, City of Bristol, Russell County, Smyth County, Tazewell County Washington County, Wythe County

**Cities:**

Chesapeake  
Franklin  
Hampton  
Newport News

Norfolk  
Portsmouth  
Suffolk

**Counties:**

Accomack  
Henrico  
Isle of Wight

Northampton  
Southampton

\*Denotes management control finding

❖ Denotes turnover reports