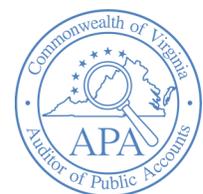




JOINT LEGISLATIVE AUDIT  
AND  
REVIEW COMMISSION

QUARTERLY REPORT SUMMARY  
JANUARY 1, 2018 THROUGH MARCH 31, 2018

Auditor of Public Accounts  
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## QUARTERLY REPORT SUMMARY - JANUARY 1, 2018, TO MARCH 31, 2018

### 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, 2018, to March 31, 2018. 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).

### *Local Government*

#### Local Government Fiscal Distress Monitoring – March 2018

This report describes the results from newly enacted legislation directing the Auditor of Public Accounts to establish an early warning system to monitor fiscal distress at Virginia’s local governments. This report provides an overview regarding the legislative requirements in Chapter 836 of the 2017 Virginia Acts of Assembly; background on the process and analysis that our Office implemented to initially develop an early warning monitoring system; the results of our reviews performed with specific localities identified as part of our analysis this past year; and plans to refine our analysis to further enhance the early warning monitoring system for future years. Access the [Full Report](#) or [Executive Summary](#) on our website.

#### Comparative Report

During the quarter, we posted to our website the [Comparative Report of Local Government Revenues and Expenditures](#) for the fiscal year ended June 30, 2017.

### *Agency and Higher Education Reports*

#### Department of Education

The report on our audit of the [Department of Education](#) for the fiscal year ended June 30, 2017, includes two findings representing a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of financial information will not be prevented, or detected and corrected on a timely basis. As a result, these findings are considered material to Education and the Commonwealth’s Comprehensive Annual Financial Report (CAFR). The material findings relate to Education’s controls over fiscal operations. The report also includes nine additional findings related to multiple areas including vendor payments, budgetary processes and systems, federal grant reimbursements, employee retirement data, reconciliations, and information system security.

#### Department of Human Resources Management

The report on our audit of the [Department of Human Resources Management](#) contains the results of our audit of the Health Insurance Fund, the Local Choice Health Care Fund, and the Worker’s

Compensation Fund for fiscal year 2017. Our audit identified five internal control findings related to information system security, three of which are repeat findings from the prior year. Human Resource Management should dedicate the necessary resources to strengthening the controls around their systems in accordance with the Security Standard of the Commonwealth and industry best practice. This report also contains a comment to management related to the implementation of Governmental Accounting Standards Board Statement No. 75 for fiscal year 2018.

### Virginia State University

The report on our audit of [Virginia State University](#) for fiscal year 2017 noted corrective action on all prior year recommendations with the exception of user access controls. New recommendations include needed improvements to controls over virtual private network security, in documentation over emergency and sole source procurements, and in controls that support monthly retirement benefit processes.

### *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 CAFR Audit and Single Audit of federal funds. We issued all of these secretarial reports for the fiscal year ended June 30, 2017, in this quarter and provide a brief summary of each below.

The [Agencies of the Secretary of Finance](#) report contains the results of our audit of the five agencies under the Secretary of Finance in support of our audit of the Commonwealth’s CAFR, as well as information on significant initiatives regarding statewide information systems and financial reporting. This report contains 12 internal control and compliance findings related to the following agencies (number of findings): Department of Accounts (2), Department of Taxation (5), and Department of the Treasury (5). Of these findings, one finding at Treasury is considered a material weakness. Additionally, the report contains a risk alert related to the Department of Taxation regarding services provided by the Commonwealth’s Information Technology Infrastructure Partnership with Northrop Grumman.

The [Agencies of the Secretary of Health and Human Resources](#) report contains the results of our audit of the four agencies under the Secretary of Health and Human Resources in support of our audit of the Commonwealth’s CAFR and Single Audit of federal funds. These agencies are the Department of Behavioral Health and Developmental Services (DBHDS), the Department of Health, the Department of Medical Assistance Services, and the Department of Social Services. This report contains 28 internal control and/or compliance findings, which related to the following agencies (number of findings): DBHDS (9), Health (3), Medical Assistance Services (11), and Social Services (5). Of these findings, five at Medical Assistance Services are considered to be material weaknesses and 12 of the 28 findings are matters not adequately resolved from the prior year.

The [Agencies of the Secretary of Transportation](#) report contains the results of our audit of the two largest agencies under the Secretary of Transportation in support of our audit of the Commonwealth's CAFR. For the Department of Transportation, the report contains two material weaknesses related to financial reporting as well as two findings related to improving internal controls around human resource functions. For the Department of Motor Vehicles, the report contains one repeat material weakness related to financial reporting as well as three findings related to information systems management.

### *Other Reports*

During the quarter, we issued the [Commonwealth of Virginia Single Audit Report](#), which fulfills the audit requirement the Commonwealth commits to when it accepts federal funds and includes our results from testing internal controls in support of the Commonwealth's CAFR. For fiscal year 2017, \$13 billion in federal expenditures were subject to audit under the Single Audit. As part of this, we audited 12 federal programs administered by the Commonwealth and issued an unmodified opinion on the Commonwealth's compliance with requirements applicable to each major program, except for the Economic Development Cluster and the Medicaid Cluster, which were qualified for reporting and an individual special test and provision, respectively. The Single Audit report contains 95 findings, 12 of which we classified as material weaknesses.

### Other Activities

#### *Recognition as a Top Workplace*



During fiscal year 2018, 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 4th, as a result of the feedback received from our staff, the Auditor of Public Accounts (APA) was recognized as one of Richmond's Top 65 Workplaces in an article in the [Richmond Times Dispatch](#). This is the fifth consecutive year that we have received this recognition and the APA is one of only 14 employers that have been on the list for each of the five years it has been in existence.

#### *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
<b>GASB*</b>	Exposure Draft: <i>Accounting for Interest Cost during the Period of Construction</i>
<b>GASB*</b>	Exposure Draft: <i>Implementation Guide No. 201Y-X, Implementation Guidance Update-201Y</i>
<b>GASB*</b>	Exposure Draft: <i>Accounting and Financial Reporting for Majority Equity Interests, an Amendment of GASB Statement No. 14</i>

\*GASB Governmental Accounting Standards Board

### 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
House Appropriations Committee Meeting	Provided a status report on the Local Government Fiscal Distress Monitoring project.
Virginia Community College System – Admissions and Records Workgroup Meeting	Presented information to registrars and information technology staff from the 23 community colleges on the requirements of federal financial aid enrollment reporting and common errors found during the audit process.
Brown Edwards Annual Governmental Conference	Provided an update on various topics including local government Comparative Report transmittal form process; new locality requirements from 2017 legislative session; updates to APA Specifications for Audits of Counties, Cities and Towns and the Uniform Financial Reporting Manual; results of quality control reviews over firms auditing Virginia’s local governments; fiscal distress monitoring over localities; and upcoming accounting standards.
AICPA* Governmental Audit Quality Center	Presented information during national webinar on challenges of loans and loan guarantees in a single audit.

\*American Institute of Certified Public Accountants

## SUMMARY OF REPORTS ISSUED

The following reports were released by this Office or its contracted firms during the period January 1, 2018, to March 31, 2018. Those reports which included findings in the area of internal controls or compliance are indicated by an (\*) asterisk.

### Executive Departments

#### Administration

Department of Human Resources Management for the year ended June 30, 2017\*

#### Commerce and Trade

Virginia Removal or Rehabilitation of Derelict Structures Fund for the year ended June 30, 2016

#### Education

Department of Education including Direct Aid to Public Education for the year ended June 30, 2017\*

#### Colleges and Universities

Eastern Shore Community College Review Report for the year ended June 30, 2017  
George Mason University Intercollegiate Athletics Programs for the year ended June 30, 2017  
James Madison University Intercollegiate Athletics Programs for the year ended June 30, 2017  
Longwood University Intercollegiate Athletics Programs for the year ended June 30, 2017  
Norfolk State University Intercollegiate Athletics Programs for the year ended June 30, 2017  
Old Dominion University Intercollegiate Athletics Programs for the year ended June 30, 2017  
Paul D. Camp Community College Review Report for the year ended June 30, 2017  
Radford University Intercollegiate Athletics Programs for the year ended June 30, 2017  
Rappahannock Community College Review Report for the year ended June 30, 2017  
The College of William and Mary in Virginia Intercollegiate Athletics Programs for the year ended June 30, 2017  
University of Virginia Intercollegiate Athletics Programs for the year ended June 30, 2017  
University of Virginia's College at Wise Intercollegiate Athletics Programs for the year ended June 30, 2017  
Virginia Commonwealth University Intercollegiate Athletics Programs for the year ended June 30, 2017  
Virginia Military Institute Intercollegiate Athletics Programs for the year ended June 30, 2017  
Virginia Polytechnic Institute and State University for the year ended June 30, 2017

Virginia Polytechnic Institute and State University Intercollegiate Athletics Programs for the year ended June 30, 2017  
Virginia State University for the year ended June 30, 2017\*

### Finance

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, 2017  
Secretary of Finance for the year ended June 30, 2017\*

### Health and Human Resources

Agencies of the Secretary of Health and Human Resources for the year ended June 30, 2017\*

### Public Safety and Homeland Security

Department of Criminal Justice Services – Crime Victim Assistance Federal Grant Program for the year ended June 30, 2017\*  
Department of Military Affairs – National Guard Military Operations and Maintenance Projects Federal Grant Program for the year ended June 30, 2017\*

### Transportation

Agencies of the Secretary of Transportation for the year ended June 30, 2017\*

### Special Reports

Commonwealth of Virginia Single Audit Report for the year ended June 30, 2017\*  
Comparative Report of Local Government Revenue and Expenditures for the fiscal year ended June 30, 2017  
Local Government Fiscal Distress Monitoring – March 2018

## Clerks of the Circuit Courts

### Cities:

Alexandria – October 1, 2016 through September 31, 2017\*  
Colonial Heights – July 1, 2016 through June 30, 2017\*  
Hopewell – October 1, 2016 through September 30, 2017  
Newport News – October 1, 2016 through December 31, 2017\*  
Norfolk – July 1, 2016 through June 30, 2017\*

### Counties:

Arlington – July 1, 2016 through September 30, 2017\*  
Augusta – October 1, 2016 through September 30, 2017  
Craig – January 1, 2017 through December 31, 2017\*  
Greene – October 1, 2016 through September 30, 2017\*  
Lancaster – April 1, 2016 through September 30, 2017  
Madison – January 1, 2017 through December 30, 2017  
Mecklenburg – October 1, 2016 through September 30, 2017  
New Kent – January 1, 2017 through December 31, 2017  
Patrick as of November 30, 2017 ❖  
Prince Edward – January 1, 2017 through December 31, 2017  
Rappahannock – October 1, 2016 through September 30, 2017  
Smyth – October 1, 2016 through December 31, 2017  
Sussex – July 1, 2016 through June 30, 2017  
Tazewell – January 1, 2016 through December 31, 2017  
Wise County/City of Norton – October 1, 2016 through December 31, 2017

## State Accounts

### Cities:

Hampton as of December 31, 2017 ❖  
Hopewell as of December 29, 2017 ❖  
Norfolk as of December 31, 2017 ❖  
Petersburg as of December 31, 2017 ❖  
Portsmouth as of December 31, 2017 ❖  
Richmond as of December 31, 2017 ❖  
Salem as of December 29, 2017 ❖

### Counties:

Albemarle as of December 31, 2017\* ❖  
Bedford as of February 28, 2018 ❖  
Prince George as of December 31, 2017 ❖

## General Receivers

### Cities:

Charlottesville – July 1, 2016 through September 30, 2017\*  
Charlottesville as of September 30, 2017 ❖

## General District Courts (as of July 1, 2016 through June 30, 2017)

### Cities:

Danville	Martinsville*	Richmond (Civil)	Staunton*
Fredericksburg	Norfolk	Richmond (Traffic)	Suffolk*
Hampton*	Portsmouth	Roanoke*	Waynesboro

### Counties:

Augusta*	Isle of Wight*	Pittsylvania	Warren
Campbell	King and Queen	Roanoke	Washington
Fairfax	King William	Rockingham	Wise/City of Norton*
Frederick	Mecklenburg	Shenandoah	Wythe
Henry*	New Kent	Spotsylvania	

## Combined District Courts (as of July 1, 2016 through June 30, 2017)

### Cities:

Hopewell	Radford
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### Counties:

Brunswick*	Nottoway
Giles	Prince George
Greene	Rappahannock
King George	Southampton
Madison	Sussex*

## Juvenile and Domestic Relations Courts (as of July 1, 2016 through June 30, 2017)

### Cities:

Charlottesville*	Lynchburg*	Petersburg	Waynesboro
Fredericksburg	Norfolk	Roanoke*	Winchester

### Counties:

Albemarle*	Frederick	Frederick	Spotsylvania
Albemarle*	Henry*	Henry*	Wise/City of Norton*
Clarke	Isle of Wight	Isle of Wight	
Culpeper	King and Queen	King and Queen	
Franklin*	Mecklenburg	Mecklenburg	

## Magistrates (as of July 1, 2016 through June 30, 2017)

District 2 – City of Virginia Beach\*

District 4 – City of Norfolk

District 6 – Cities of Emporia and Hopewell; Counties of Brunswick, Greensville, Prince George, Surry and Sussex

District 11 – City of Petersburg; Counties of Amelia, Dinwiddie, Nottoway and Powhatan

District 15 – City of Fredericksburg; Counties of Caroline, Essex, Hanover, King George, Lancaster, Northumberland, Richmond, Spotsylvania and Stafford

District 16 – City of Charlottesville; Counties of Albemarle, Culpeper, Fluvanna, Goochland, Greene, Louisa, Madison and Orange

District 19 – City of Fairfax and County of Fairfax

District 21 – City of Martinsville; Counties of Henry and Patrick

District 22 – City of Danville; Counties of Franklin and Pittsylvania

District 23 – Cities of Roanoke and Salem; County of Roanoke\*

District 25 – Cities of Buena Vista, Staunton and Waynesboro; Counties of Alleghany, Augusta, Bath, Botetourt, Craig, Highland and Rockbridge\*

District 26 – City of Winchester; Counties of Frederick, Page, Rockingham, Shenandoah and Warren

\*Denotes includes internal control and/or compliance finding

❖ Denotes turnovers