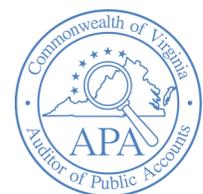




JOINT LEGISLATIVE AUDIT  
AND  
REVIEW COMMISSION

QUARTERLY REPORT SUMMARY  
JANUARY 1, 2019 THROUGH MARCH 31, 2019

Auditor of Public Accounts  
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## QUARTERLY REPORT SUMMARY - JANUARY 1, 2019, TO MARCH 31, 2019

### 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, 2019, to March 31, 2019. 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).

### *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, 2018, in this quarter and provide a brief summary of each below.

The [Agencies of the Secretary of Finance](#) report contains our audit results for the five agencies under the Secretary of Finance in support of our audit of the Commonwealth’s CAFR, as well as information on a significant initiative regarding statewide information systems. These agencies are the Department of Accounts, the Department of Planning and Budget, the Department of Taxation (Taxation), the Department of the Treasury, and the Treasury Board. This report contains six prior year findings where progress was made to correct the findings; however, there continue to be areas that require management’s attention. Additionally, this report contains six findings involving internal control and its operation necessary to bring to management’s attention, five of which are considered to be instances of non-compliance with applicable laws and regulations. Of these six findings, Taxation had one repeat finding. The report also contains a risk alert related to Taxation regarding services provided by the Commonwealth’s Information Technology Infrastructure Partnership.

The [Agencies of the Secretary of Health and Human Resources](#) report contains our audit results for four agencies under the Secretary of Health and Human Resources in support of our audit of the Commonwealth’s CAFR and Single Audit. 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 48 internal control and/or compliance findings related to the following agencies (number of findings): DBHDS (14), Health (13), Medical Assistance Services (4), and Social Services (17). Of these findings, two are considered to be material weaknesses, one at Medical Assistance Services and one at Social Services, and 11 of the 48 findings are matters not adequately resolved from the prior year.

The [Agencies of the Secretary of Transportation](#) report contains our audit results for the two largest agencies under the Secretary of Transportation. For the Department of Transportation, through the issuance of a comment to management, four material weaknesses, and a significant deficiency, we emphasize the need for it to make improvements in its internal control over financial reporting. Additionally, we reported a significant deficiency related to its employee separation process. For the Department of Motor Vehicles, the report contains two significant deficiencies in internal control related to information systems management and a deficiency related to employment eligibility.

## *Agency Reports*

### Department of Education

The report on our audit of the [Department of Education](#) for the fiscal year ended June 30, 2018, includes a weakness in internal control related to Education's processing of Education Technology Grant Payments 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, this finding is considered material to Education and the Commonwealth's Comprehensive Annual Financial Report (CAFR). Also, the report contains significant deficiencies in internal control in the areas of fiscal operations, grants compliance, and information technology security.

### Department of Human Resources Management

Our 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, the Line of Duty Act Fund, and the Worker's Compensation Fund for the fiscal year ended June 30, 2018. Our audit identified six internal control findings and recommendations. Of these findings one, which relates to financial reporting of the Pre-Medicare Retiree Healthcare plan, is considered to be a material weakness. Human Resource Management should continue to address our repeated recommendations related to information system security.

### Virginia Health Workforce Development Authority

Our audit of the [Virginia Health Workforce Development Authority](#) for the year ended June 30, 2017, found the Authority should work to improve internal controls and compliance in several areas including ensuring timely remove of account authorized signers and user access, ensuring compliance with employment eligibility verification, properly tracking fixed asset additions and disposals, and ensuring proper accounting of funds and financial reporting.

## *Other Audit Reports and Activities*

### Commonwealth of Virginia Single Audit Report

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 2018, \$13.5 billion in federal expenditures were subject to audit under the Single Audit. As part of this, we audited nine federal programs and issued an unmodified opinion on the Commonwealth's compliance with requirements applicable to each major program, except for the Emergency Management Performance Grants and the Homeland Security Grant Program, which were both qualified for allowable costs and cost principles and are administered by the Department of Emergency Management. The Single Audit report contains 112 findings, 11 of which we classified as material weaknesses.

### Student Financial Assistance Programs Cluster

Our audit of the [Student Financial Assistance Programs Cluster](#) at the Commonwealth's higher education institutions for the year ended June 30, 2018, found the institutions should work to improve compliance in several areas related to administration of federal student financial assistance programs including proper reporting of enrollment and enrollment changes to the U.S. Department of Education (DOE), proper processing of return of Title IV aid calculations when students withdraw, and proper notification of awards to students. Several institutions should improve their processes for reporting origination and disbursement information to DOE and should ensure timely return of any unclaimed aid to DOE within prescribed periods.

### Hurricane Florence Expense Review

The Auditor of Public Accounts performed a limited joint review with the Office of the Inspector General to respond to a legislative request related to Hurricane Florence expenses. As part of this review, we reviewed documentation, analyzed information, and interviewed staff at the Virginia Department of Emergency Management (VDEM). Our results were reported as of February 15, 2019, and we responded to the legislator in March 2019. We found that VDEM had processed and paid expenses totaling approximately \$33.5 million as of the date. The majority of these expenses were related to contractual expenses for the statewide shelters. We did not find any evidence that the purchases were not related to the emergency response. We will be auditing these expenses for compliance with federal guidelines as part of our Single Audit of federal funds.

## Local Government Activities

### Fiscal Distress Monitoring Process

During the second quarter, as part of our Office’s annual fiscal distress monitoring process, we finalized our review of the financial ratios and qualitative analysis and identified 14 localities from this analysis for additional follow up—four cities, four counties, and six towns. We notified the officials at each locality about our preliminary determination and requested to perform additional review through our financial assessment questionnaire process. Beginning in February, as part of our follow up review process, we held discussions with local representatives from eight localities. We obtained further understanding of various external factors unique to each locality and the plans they have in place to continue to move forward and improve their financial position. Based on our final reviews and follow up process with these eight localities, we concluded that they do not appear to be in a situation of fiscal distress that would warrant assistance or intervention from the Commonwealth.

In addition, we have scheduled additional follow up discussions during April 2019 with three other localities to close out our review process. Two additional localities are currently working to complete our assessment questionnaire process, and one locality’s follow up process is pending the results of our ratio analysis over fiscal year 2018 financial data to obtain a better understanding of the significant improvements the locality made over the last year. During the next quarter, we will issue a formal report to summarize the updates made during 2018 to our ratio methodology and the qualitative analysis of the model, along with reporting the final results of our follow up process performed this year with the identified localities.

### 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, 2018.

### [Report on Collections of Commonwealth Revenues by Local Constitutional](#)

Our [Report on Collections of Commonwealth Revenues by Local Constitutional Officers](#) for the year ended June 30, 2018, summarizes the findings we have previously communicated to the individual Sheriffs, Treasurers, and Directors of Finance and the respective local governing body upon completing our individual audits. Our audits resulted in findings at ten localities. We have listed the findings in the report by constitutional officer and locality. We limited our work in local government to the collection of Commonwealth revenues by Constitutional Officers, excluding Clerks of the Circuit Court, which we audit separately.

## Other Activities

### Recognition as a Top Workplace



During fiscal year 2019, 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 10th, 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 sixth consecutive year that we have received this recognition and the APA is one of only 12 employers that have been on the list for each of the six years it has been in existence.

### Monitoring Accounting and Auditing Standards

During the quarter, our Office reviewed several documents issued for comment by standard setting entities that govern the auditing standards we follow in performing our audits and 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>	Exposure Draft: <i>Revisions to State and Local Government Client Affiliates</i>
<b>GASB</b>	Exposure Draft: <i>Implementation Guide – Fiduciary Activities</i>
<b>GASB</b>	Exposure Draft: <i>Implementation Guidance Update - 2019</i>
<b>GASB</b>	Preliminary Views: <i>Financial Reporting Model Improvements</i>
<b>GASB</b>	Preliminary Views: <i>Recognition of Elements of Financial Statements</i>
<b>OMB</b>	2019 Compliance Supplement

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

During the quarter, the Deputy Auditor of Public Accounts testified on behalf of the National Association of State Auditors, Comptrollers, and Treasurers (NASACT) at a GASB public hearing on the Preliminary Views documents *Financial Reporting Model Improvements* and *Recognition of Elements of Financial Statements*. Both of these documents contain information on potential changes to existing accounting standards that would impact the presentation of financial information for the Commonwealth and its localities.

Our office also responded to the XBRL U.S., State, and Local Government Disclosure Modernization Working Group’s request for comments on the demonstration release of their Comprehensive Annual Financial Report Taxonomy project for developing standards that can improve efficiencies by automating the process of creating, collecting, and analyzing government data. Overall, our comments emphasized the importance of developing standards that ultimately enhance consistency and comparability of state and local government financial data. As an example of collecting data based on a uniform and standardized reporting structure, we provided the group information on the data published in our annual [Comparative Report of Local Government Revenues and Expenditures](#).

*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
Guangdong (China) Provincial Audit Office	Presented information, along with staff from the Office of the State Inspector General and Joint Legislative Audit and Review Commission, on the work we perform and our internal quality control process to auditors from the Guangdong Provincial Audit Office.
National State Auditors Association (NSAA) Information Technology Conference	Made presentation to information technology auditors from other state auditor offices on data matching for audits.
Virginia Society of Certified Public Accountants (CPA)	Participated in CPA ready workshop at Virginia Commonwealth University providing information to area students about the Auditor of Public Accounts and the process of becoming a CPA.
Virginia State University	Presented information to Governmental Accounting class on the preparation and audit process of the Commonwealth’s Comprehensive Annual Financial Report (CAFR).

In March, the Auditor of Public Accounts and project manager for our audit of the Department of Medical Assistance Services participated in an Emerging Issues Meeting in Denver, Colorado, sponsored by NSAA. The meeting was held to discuss approaches to auditing the Medicaid program and included 15 state audit organizations, the U.S. Government Accountability Office, and NASACT.

During the quarter, one of our audit directors participated in the first Virginia Government Leadership Summit offered by the Performance Management Group within the L. Douglas Wilder School at Virginia Commonwealth University. The fifteen attendees included leaders from Executive and Legislative branch agencies. The program revolved around the theme of moral courage to cultivate the attendees' leadership abilities, challenges, and goals. The intimate, community focused experience encouraged peer connections across government agencies and coaching to inspire and energize the attendees to excel in their workplace.

## SUMMARY OF REPORTS ISSUED

The following reports were released by this Office or its contracted firms during the period January 1, 2019, to March 31, 2019. Those reports which included findings in the area of internal controls or compliance are indicated by an (\*) asterisk.

### State Agencies and Institutions

#### Executive Departments

Office of the Attorney General and Department of Law and Division of Debt Collection for the year ended June 30, 2018\*

#### Administration

Department of Human Resource Management for the year ended June 30, 2018\*

#### Commerce and Trade

Department of Housing and Community Development – Low-Income Home Energy Assistance Federal Grant Program – for the year ended June 30, 2018

Department of Housing and Community Development – Virginia Growth and Opportunity Fund – for the years ended June 30, 2017, and June 30, 2018

Department of Housing and Community Development – Virginia Removal or Rehabilitation of Derelict Structures Fund – for the years ended June 30, 2017, and June 30, 2018

Virginia Employment Commission for the year ended June 30, 2018\*

#### Education

Department of Education including Direct Aid to Public Education for the year ended June 30, 2018\*

#### Colleges and Universities

George Mason University Intercollegiate Athletics Programs for the year ended June 30, 2018

J. Sargeant Reynolds Community College Review Report for the year ended June 30, 2018

James Madison University Intercollegiate Athletics Programs for the year ended June 30, 2018

Longwood University Intercollegiate Athletics Programs for the year ended June 30, 2018

Mountain Empire Community College Review Report for the year ended June 30, 2018

Norfolk State University Intercollegiate Athletics Programs for the year ended June 30, 2018

Old Dominion University Intercollegiate Athletics Programs for the year ended June 30, 2018

Piedmont Virginia Community College Review Report for the year ended June 30, 2018

Radford University Intercollegiate Athletics Programs for the year ended June 30, 2018

Student Financial Assistance Programs Cluster for the year ended June 30, 2018\*

The College of William and Mary in Virginia Intercollegiate Athletics Programs for the year ended June 30, 2018

University of Virginia Intercollegiate Athletics Programs for the year ended June 30, 2018

Virginia Commonwealth University Intercollegiate Athletics Programs for the year ended June 30, 2018

Virginia Military Institute Intercollegiate Athletics Programs for the year ended June 30, 2018

Virginia Polytechnic Institute and State University for the year ended June 30, 2018\*

Virginia Polytechnic Institute and State University Intercollegiate Athletics Programs for the year ended June 30, 2018

## Finance

Agencies of the Secretary of Finance for the year ended June 30, 2018\*

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, 2018

## Health and Human Resources

Agencies of the Secretary of Health and Human Resources for the year ended June 30, 2018\*

Office of Children's Services Internal Control Questionnaire Review Results as of June 2018\*

Virginia Health Workforce Development Authority for the year ended June 30, 2017\*

## Natural Resources

Review of the Rappahannock River Basin Commission Financial Information, and the George Washington Regional Commission's audit report relating to fiscal year ended June 30, 2018

## Transportation

Agencies of the Secretary of Transportation for the year ended June 30, 2018\*

Department of Aviation Internal Control Questionnaire Review Results as of July 2018\*

Department of Rail and Public Transportation Internal Control Questionnaire Review Results as of July 2018\*

## Special Reports

Commonwealth of Virginia Single Audit Report for the year ended June 30, 2018\*

Comparative Report of Local Government Revenue and Expenditures for the fiscal year ended June 30, 2018

Report on Collections of Commonwealth Revenues by Local Constitutional Officers for the year ended June 30, 2018\*

Report to the Joint Legislative Audit and Review Commission for the quarter October 1, 2018, through December 31, 2018

## Clerks of the Circuit Courts

### Cities:

Colonial Heights – July 1, 2017, through December 31, 2018\*  
Hopewell – October 1, 2017, through December 31, 2018  
Petersburg – July 1, 2017, through June 30, 2018\*  
Staunton – January 1, 2017, through June 30, 2018\*

### Counties:

Arlington – October 1, 2017, through September 30, 2018\*  
Caroline – April 1, 2017, through June 30, 2018\*  
Craig – January 1, 2018, through December 31, 2018  
Essex – April 1, 2017, through September 30, 2018\*  
Fluvanna – October 1, 2017, through September 30, 2018  
Goochland – July 1, 2017, through September 30, 2018  
Greensville/City of Emporia (Turnover) as of February 28, 2019  
Henry – April 1, 2017, through September 30, 2018\*  
Highland – April 1, 2017, through December 31, 2018  
Pulaski – January 1, 2018, through December 31, 2018  
Richmond – April 1, 2017, through September 30, 2018  
Shenandoah – January 1, 2017, through September 30, 2018\*  
Smyth – January 1, 2018, through December 31, 2018  
Tazewell – January 1, 2018, through December 31, 2018  
Wise/City of Norton – January 1, 2018, through December 31, 2018

## State Accounts

### Cities:

Virginia Beach as of December 31, 2018❖

### Counties:

Amelia as of December 31, 2018❖  
Montgomery as of January 30, 2019❖

Buchanan as of January 31, 2019❖  
Russell as of February 28, 2019❖

**Combined District Court (July 1, 2017, through June 30, 2018)**

**Cities:**

Galax

Hopewell

Radford

**Counties:**

Alleghany

Dickenson\*

King George

Prince George\*

Bath\*

Dinwiddie

Lee

Richmond

Brunswick\*

Essex

Lunenburg

Southampton

Buckingham

Giles

Madison\*

Surry\*

Charles City

Grayson\*

Nottoway

Sussex\*

Craig

Greene

Prince Edward

**General District Courts (July 1, 2017, through June 30, 2018)**

**Cities:**

Chesapeake

Hampton

Waynesboro

Colonial Heights\*

Martinsville

Winchester

Fredericksburg

Richmond (Civil Division)

**Counties:**

Amherst

Culpeper

King and Queen

New Kent

Appomattox

Franklin

King William

Page

Arlington

Frederick

Mathews\*

Pittsylvania

Augusta

Halifax

Middlesex\*

Spotsylvania

Charlotte

Hanover\*

Montgomery

Tazewell

Chesterfield

Henry

Nelson

York

**Juvenile and Domestic Relations Courts (July 1, 2017, through June 30, 2018)**

**Cities:**

Fredericksburg

Staunton\*

Martinsville

Waynesboro

Portsmouth\*

Winchester

**Counties:**

Amherst	Halifax	New Kent
Arlington	Henry	Orange
Augusta*	Isle of Wight	Page
Caroline	King and Queen	Prince William*
Charlotte	King William	Spotsylvania*
Chesterfield	Loudoun*	Stafford
Clarke	Mecklenburg	Wise*
Fairfax*	Montgomery	York*
Frederick	Nelson	

**Magistrates (July 1, 2017, through June 30, 2018)**

District 06 – Cities of Emporia and Hopewell; Counties of Brunswick, Greenville, Prince George, Surry, and Sussex

District 12 – City of Colonial Heights; County of Chesterfield

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

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

District 24 – City of Lynchburg; Counties of Amherst, Bedford, Campbell, and Nelson

District 27 – Cities of Galax and Radford; Counties of Carroll, Floyd, Giles, Grayson, Montgomery, and Pulaski

District 30 – City of Norton; Counties of Buchanan, Dickenson, Lee, Scott, and Wise

\*Denotes includes internal control and/or compliance finding

❖ Denotes turnovers