JOINT LEGISLATIVE AUDIT

AND

REVIEW COMMISSION

QUARTERLY REPORT SUMMARY

JANUARY 1, 2020 THROUGH MARCH 31, 2020

Auditor of Public Accounts
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QUARTERLY REPORT SUMMARY - JANUARY 1, 2020, TO MARCH 31, 2020

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, 2020, to March 31, 2020. 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.

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, 2019, 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 as of June 30, 2019, 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 three findings where management has made progress to correct deficiencies our office identified in the previous audit; however, there continue to be areas that require management's attention. Additionally, this report contains nine findings involving internal control and its operation necessary to bring to management's attention, six of which are considered to be instances of non-compliance with applicable laws and regulations. The report also includes a risk alert related to the Department of Taxation regarding services provided by VITA's contractual partnership with various IT service providers that we consider to be representative of an internal control weakness and instance of non-compliance with applicable laws and regulations. Lastly, the report contains information on two significant initiatives, including the status of the Commonwealth's Human Capital Management System development project and upcoming reporting changes for leases.

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 61 internal control and/or compliance findings related to the following agencies (number of findings): DBHDS (26), Health (11), Medical Assistance Services (6), and Social Services (18). Of these findings, three are considered to be material weaknesses, two at Medical Assistance Services and one at Social Services. Thirty of the 61 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, we highlight the risk caused by turnover in the Fiscal Division and report five significant deficiencies in the areas of financial reporting, contract oversight, and information system security. For the Department of Motor Vehicles, the report contains five significant deficiencies in internal control related to financial reporting, information system security, state compliance, and employee information and access.

Agency Reports

Departments of Aging and Rehabilitative Services and the Blind and Vision Impaired

This report is limited to our audit of two federal programs at Departments of Aging and Rehabilitative Services and the Blind and Vision Impaired for the year ended June 30, 2019: the Vocational Rehabilitation and Disability Insurance/Supplemental Security Income Cluster federal programs. We found that Aging and Rehabilitative Services did not perform an annual access review of the case management system, did not gain assurance that a third-party information technology (IT) service provider has a secure IT environment, and did not determine individuals' eligibility or process extensions timely. Aging and Rehabilitative Services and Blind and Vision Impaired did not identify certain individuals who occupy positions of trust in order to obtain Statement of Economic Interest forms or provide training. Finally, neither agency maintained adequate documentation to demonstrate compliance with their federal grant agreements and Commonwealth policies.

Department of Corrections

Our audit of select cycles at the Department of Corrections (Corrections) for the year ended June 30, 2019, found that Corrections should continue to implement corrective action as it relates to documenting and performing timely retirement benefit system reconciliations and also performing an annual access review of information systems. Corrections should also ensure policies and procedures are documented relating to the payroll certification process; that reconciliations between the payroll system and the financial system include evidence of preparation and review using proper segregation of duties and evidence of the date that the reconciliation was completed; and that employee eligibility forms are properly completed.

Virginia Department of Fire Programs

In our prior-year special report, we identified that the Virginia Department of Fire Programs (Fire Programs) did not have a sufficiently strong internal control environment. In our subsequent report of Fire Programs covering the period July 1, 2017, through March 31, 2019, we found that while there have been some improvements in this area since the last review, there are still several factors with the current control environment that are contributing to the audit findings noted in this report. Management should take the necessary steps to strengthen the control environment by creating a culture and attitude that supports the importance of maintaining internal controls.

This report contains thirty findings over several audit areas including 9 in payroll and human resources, 7 in information technology and security, 6 in procurement and contract management, 3 in financial reporting, and 5 over other internal control areas.

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, 2019. Our audit identified two internal control findings and recommendations, both of which are repeat findings from the prior year audit. Of these findings one, which relates to financial reporting of the Pre-Medicare Retiree Healthcare plan, is considered to be a material weakness.

Virginia Department of State Police

Our performance audit of the Virginia Department of State Police for the year ended June 30, 2018, focused on seven business areas within the Property and Finance and Human Resources Division, resulting in 13 audit recommendations. These recommendations largely focus on the need for State Police to establish or improve internal control policies and procedures, or consistently follow its existing policies and procedures.

Our report includes a ten year analysis of full-time staff and contractors within these Divisions and shows that State Police has increased its use of contractors to perform financial functions. As contractors are temporary and may be unfamiliar with state regulations and procedures, formal and detailed policies and procedures helps State Police to communicate its internal control expectations.

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 2019, $14.7 billion in federal expenditures were subject to audit under the Single Audit. As part of this, we audited twenty federal programs and issued an unmodified opinion on the Commonwealth's compliance with requirements applicable to each major program. The Single Audit report contains 108 findings, of which 51% relate to information system security.

Local Government Activities

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, 2019.

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, 2019, summarizes the findings we have previously communicated to the individual Sheriffs, Commissioners of the Revenue, Treasurers, and Commonwealth's Attorneys and the respective local governing body upon completing our individual audits. Our audits resulted in findings at 29 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 2020, we participated in Richmond's Top Workplaces event sponsored by the Richmond Times-Dispatch and Energage. To participate, employers and their employees completed anonymous surveys about their workplace. On March 9th, as a result of the feedback received from our staff, the Auditor of Public Accounts (APA) was recognized as one of Richmond's Top 80 Workplaces in an article in the Richmond Times Dispatch. This is the seventh consecutive year that we have received this recognition and the APA is one of only 11 employers that have been on the list for each of the seven 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
AICPA	Exposure Draft: *Amendments to AU-C Sections 725, 730, 930, 935, and 940*
GASB	Exposure Draft: *Implementation Guidance Update - 2020*
GASB	Exposure Draft: *Replacement of Interbank Offered Rates*
OMB	2020 Compliance Supplement
OMB	Proposed Changes to Uniform Guidance

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

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
Richmond Chapter of Virginia Society of Certified Public Accountants (VSCPA) - Government Training Day	Provided an overview on the Office's oversight responsibilities for local governments to include various audit and reporting requirements specific to our Audit Specifications, Uniform Financial Reporting Manual, and the Comparative Report process; key changes from the 2019 and 2020 legislative sessions that impact local government audits and financial reporting; an overview and recent results of the Office's quality control reviews over CPA firms auditing Virginia's local governments; and updates on the Office's annual local fiscal distress monitoring process.
Virginia Government Finance Officers Association Professional Development Program – New Finance Director and Staff Orientation to Virginia Local Government Finance	Provided an overview on the Office's oversight responsibilities for local governments to include various audit and reporting requirements specific to our Audit Specifications, Uniform Financial Reporting Manual, and the Comparative Report process; key changes from the 2019 and 2020 legislative sessions that impact local government audits and financial reporting; an overview and recent results of the Office's quality control reviews over CPA firms auditing Virginia's local governments; and updates on the Office's annual local fiscal distress monitoring process.

During the quarter, our Office met with representatives from the Virginia Institute of Government (Institute), part of the University of Virginia Weldon Cooper Center for Public Service, to share our insights and experiences from the Office's local fiscal distress annual monitoring process. The representatives also conveyed the Institute's desire to further develop its mission and overall goals of assisting Virginia's local governments by building governance capacity and providing professional and technical assistance. To advance these efforts, the representatives discussed the Institute's recent proposal for funding during the 2020 budget session to create a fiscal health program that would expand on the work of our Office's fiscal distress monitoring process and the local fiscal stress studies published by the Virginia Commission on Local Government. The Institute's proposed program would provide an overall framework that emphasizes improving and fostering the fiscal health of Virginia local governments by developing a model focused on outcome-based metrics and providing the localities more hands on assistance and tools for maintaining their fiscal health.

SUMMARY OF REPORTS ISSUED

The following reports were released by this Office or its contracted firms during the period January 1, 2020, to March 31, 2020. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

State Agencies and Institutions

Independent Agencies

Department of General Services Internal Control Questionnaire Review Results as of June 2019*
Internal Control Report on Local Government Investment Pool Program, Virginia College Building Authority, Virginia Public Building Authority, and Virginia Public School Authority for the year ended June 30, 2019
Virginia Retirement System for the year ended June 30, 2019

Executive Departments

Administration

Department of Human Resource Management for the fiscal year ended June 30, 2019*

Agriculture and Forestry

Virginia Department of Agriculture and Consumer Services Audit of Donated Food - Child Nutrition Cluster for the year ended June 30, 2019

Commerce and Trade

Virginia Biotechnology Research Partnership Authority for the year ended June 30, 2019
Virginia Employment Commission for the year ended June 30, 2019*

Education

Department of Education including Direct Aid to Public Education for the year ended June 30, 2019*
Office of Children's Services Audit of Subrecipient Monitoring - Social Services Block Grant for the year ended June 30, 2019

Colleges and Universities

George Mason University Intercollegiate Athletics Programs for the year ended June 30, 2019
James Madison University Intercollegiate Athletics Programs for the year ended June 30, 2019
Old Dominion University Intercollegiate Athletics Programs for the year ended June 30, 2019
Radford University Intercollegiate Athletics Programs for the year ended June 30, 2019
The College of William and Mary in Virginia Intercollegiate Athletics Programs for the year ended June 30, 2019
University of Virginia Intercollegiate Athletics Programs for the year ended June 30, 2019
Virginia Commonwealth University for the year ended June 30, 2019*
Virginia Commonwealth University Intercollegiate Athletics Programs for the year ended June 30, 2019
Virginia Military Institute Intercollegiate Athletics Programs for the year ended June 30, 2019
Virginia Polytechnic Institute and State University for the year ended June 30, 2019*
Virginia Polytechnic Institute and State University Intercollegiate Athletics Programs for the year ended June 30, 2019

Finance

Agencies of the Secretary of Finance for the year ended June 30, 2019*

Health and Human Resources

Agencies of the Secretary of Health and Human Resources for the year ended June 30, 2019*
Departments of Aging and Rehabilitative Services and the Blind and Vision Impaired – Vocational Rehabilitation Disability Insurance/Supplemental Security Income Cluster Federal Programs for the year ended June 30, 2019*

Natural Resources

Department of Environmental Quality – Clean Water State Revolving Fund Cluster Federal Program for the year ended June 30, 2019
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, 2019

Public Safety and Homeland Security

Department of Corrections – Audit of Select Cycles – for the year ended June 30, 2019*
Virginia Department of Fire Programs for the period July 1, 2017 through March 31, 2019*

Transportation

Agencies of the Secretary of Transportation for the year ended June 30, 2019*

Special Reports

Commonwealth of Virginia Single Audit Report for the year ended June 30, 2019*
Comparative Report of Local Government Revenue and Expenditures for the fiscal year ended June 30, 2019
Report on Collections of Commonwealth Revenues by Local Constitutional Officers for the year ended June 30, 2019*
Report to the Joint Legislative Audit and Review Commission for the quarter October 1, 2019 through December 31, 2019

Clerks of the Circuit Courts

Cities:

Alexandria as of December 31, 2019*❖
Lynchburg as of December 31, 2019❖
Newport News as of December 31, 2019❖
Petersburg – July 1, 2018, through September 30, 2019*
Petersburg as of December 31, 2019❖
Portsmouth – April 1, 2018, through December 31, 2019
Staunton as of December 31, 2019❖

Counties:

Amelia – October 1, 2018, through September 30, 2019
Amherst – April 1, 2018, through December 31, 2019
Bland – October 1, 2018, through December 31, 2019
Brunswick as of December 31, 2019❖
Campbell – April 1, 2018, through December 31, 2019*
Craig – January 1, 2019, through December 31, 2019*
Fauquier – July 1, 2018, through June 30, 2019
Goochland – October 1, 2018, through December 31, 2019
Greensville/City of Emporia – April 1, 2018, through September 30, 2019*
Greensville/City of Emporia as of November 30, 2019❖
Henrico – July 1, 2018, through September 30, 2019*
Isle of Wight as of January 31, 2020❖
Northumberland – April 1, 2018, through December 31, 2019*
Rockbridge – April 1, 2018, through December 31, 2019*
Smyth – January 1, 2019, through December 31, 2019
Stafford – April 1, 2018, through September 30, 2019*
Tazewell – January 1, 2019 through December 31, 2019
Warren as of November 26, 2019❖
Wise/City of Norton – January 1, 2019, through December 31, 2019

General District Courts (July 1, 2018, through June 30, 2019)

Cities:

Alexandria
Colonial Heights*
Fredericksburg
Hampton
Lynchburg*
Martinsville
Norfolk*
Petersburg

Counties:

Campbell
Caroline
Carroll
Charlotte
Giles
Gloucester
Halifax
Henrico
Henry
Isle of Wight
Lancaster
Loudoun
Madison
Mecklenburg
Montgomery
Nelson
Orange*
Prince William*
Pulaski
Shenandoah
Spotsylvania
Stafford
Warren*
Westmoreland

Juvenile and Domestic Relations Court (July 1, 2018, through June 30, 2019)

Cities:

Alexandria
Charlottesville
Colonial Heights
Fredericksburg
Hampton*
Lynchburg*
Norfolk
Petersburg
Portsmouth
Suffolk

Counties:

Albemarle
Amherst*
Bedford
Carroll
Charlotte*
Giles
Halifax
Hanover
Henrico*
Henry
Isle of Wight
Loudoun*
Mecklenburg
Nelson
Orange
Prince William*
Pulaski
Rockingham*
Shenandoah
Spotsylvania*
Stafford
Warren
Washington*

General Receivers (for the year ended June 30,2019)

Cities:

Alexandria*

Counties:

Loudoun*

Combined District Courts (July 1, 2018 through June 30, 2019)

Cities:

Franklin
Galax

Counties:

Amelia
Bland
Buckingham
Charles City
Cumberland
Dinwiddie
Essex
Fluvanna
Grayson
Greene
King George
Nottoway
Powhatan
Prince Edward
Richmond

State Accounts (as of June 30, 2019)

Cities:

Virginia Beach*

Counties:

Accomack as of December 31, 2019❖
Appomattox as of December 31, 2019❖
Buchanan as of December 31, 2019❖
Campbell
Campbell as of December 31, 2019❖
Chesterfield as of December 31, 2019❖
Culpeper as of December 31, 2019❖
Grayson as of December 30, 2019❖
Lee as of December 30, 2019❖
Middlesex *
Middlesex as of December 31, 2019❖
Montgomery
New Kent
New Kent as of December 31, 2019❖
Southampton as of December 31, 2019❖
Surry as of December 31, 2019❖

Magistrates (July 1, 2018 through June 30, 2019)

District 3: City of Portsmouth
District 4: City of Norfolk
District 7: City of Newport News
District 8: City of Hampton
District 10: Counties of Appomattox, Buckingham, Charlotte, Cumberland, Halifax, Lunenburg, Mecklenburg, and Prince Edward
District 12: City of Colonial Heights; County of Chesterfield
District 14: County of Henrico
District 15: City of Fredericksburg; Counties of Essex, Caroline, Hanover, King George, Lancaster, Northumberland, Richmond, Spotsylvania, Stafford, and Westmoreland
District 16: City of Charlottesville; Counties of Albemarle, Culpeper, Fluvanna, Goochland, Greene, Louisa, Madison, and Orange
District 18: City of Alexandria
District 20: Counties of Fauquier and Loudoun
District 21: City of Martinsville; Counties of Henry and Patrick

Magistrates (*continued*)

District 24: City of Lynchburg; Counties of Amherst, Bedford, Campbell and Nelson*
District 31: County of Prince William*

*Denotes includes internal control and/or compliance finding
❖ Denotes turnover reports with varying dates