

**REPORT TO THE
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION**

**FOR THE QUARTER
APRIL 1, 2000 TO JUNE 30, 2000**

**AUDITOR OF
PUBLIC
ACCOUNTS**



COMMONWEALTH OF VIRGINIA

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EXECUTIVE SUMMARY

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July 7, 2000

The Honorable Vincent F. Callahan, Jr., Chairman
and
Members, Joint Legislative Audit and Review Commission
General Assembly Building
Capitol Square
Richmond, Virginia 23219

This transmits our quarterly summary of reports issued for the period April 1, 2000 through June 30, 2000.

The *Executive Summary* includes reports that may be of special interest to the members of the Commission. We have included a report in the summary for the sole purpose of bringing to your attention matters of significance. These summaries do not include all findings within a report or all reports with findings.

The *Summary of Reports Issued* lists all reports released during the quarter and shows reports that have audit findings.

We will be happy to provide you, at your request, any reports in their entirety. We welcome any comments concerning this report or its contents.

Sincerely,

Walter J. Kucharski
Auditor of Public Accounts

WJK:aom

EXECUTIVE SUMMARY

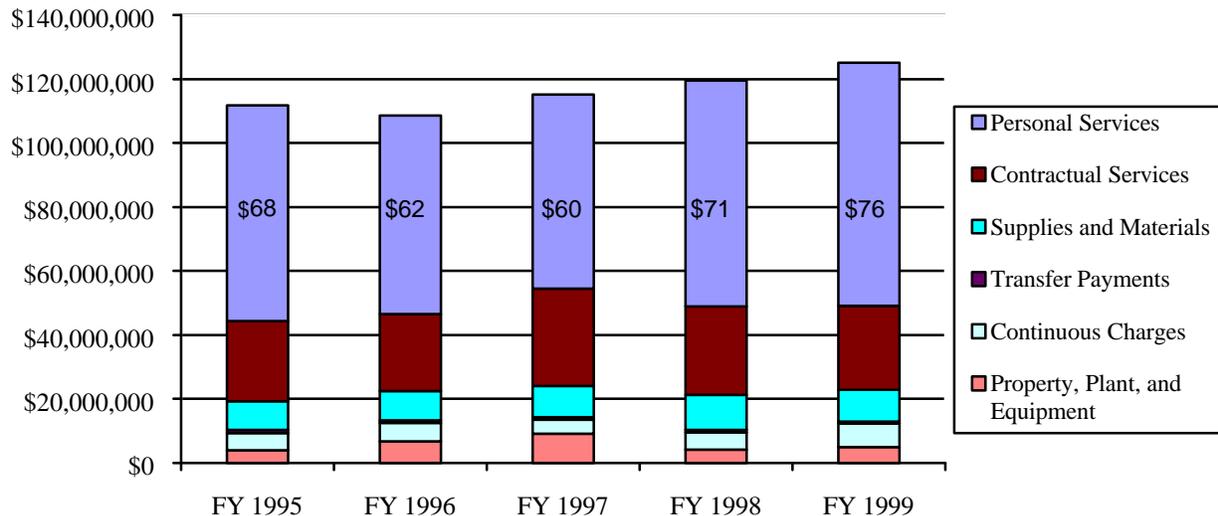
DEPARTMENT OF MOTOR VEHICLES

Motor Vehicles Operating Fund Cash Flow

Cash balances in Motor Vehicles' operating fund have decreased to critically low levels from \$3.7 million in 1997 to approximately \$400,000 in 1999. Management had originally projected a cash deficit of \$6 million in the operating fund at June 30, 2000. However, with proposed cost cutting measures for the remainder of fiscal year 2000, that estimate has changed to a \$100,000 positive balance. This presents a cash flow problem for an agency with semi-monthly payrolls of \$3.7 million and regular vendor bills to pay. Motor Vehicles must often wait for the collection of fees in order to pay bills.

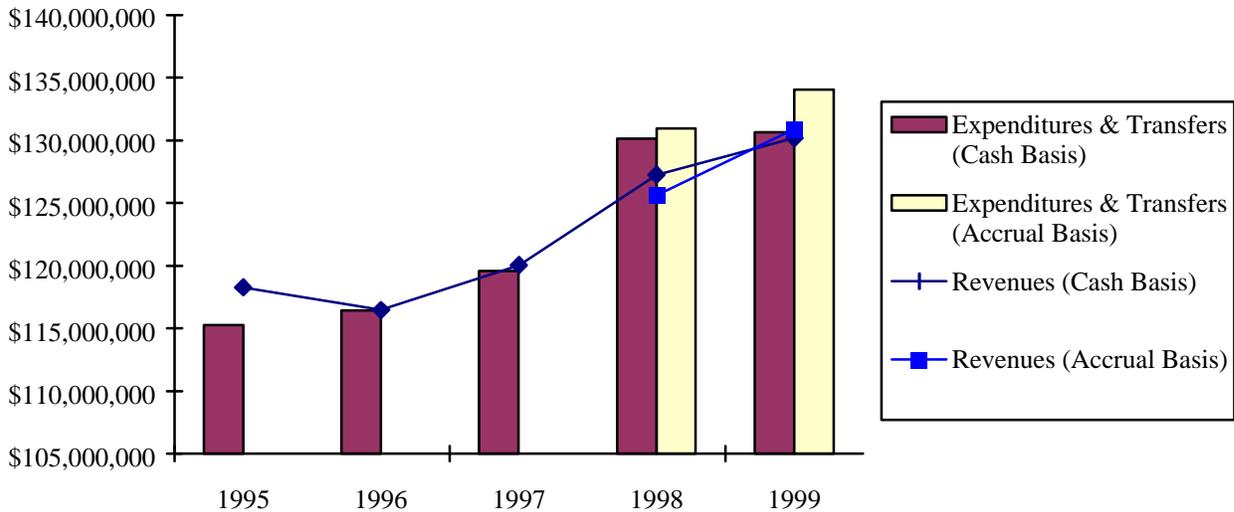
Motor Vehicles cannot meet its operational needs because the rate of growth in expenses has outpaced the growth in revenues. Over the past five years, operating revenues have increased at approximately 2 percent per year whereas expenses have increased at a 4.5 percent rate. Personnel costs comprise the majority of the expense increases. Employee cost of living adjustments, upgrades of several existing salaried positions, an incentive bonus program, and an increase in the number of wage employees over the past two years have contributed to the increased personnel costs.

FY 95 – FY 99 Expenditure by Object Code



Motor Vehicles continues to experience problems in meeting payments for current obligations. The Department cannot comply with the State's prompt payment performance standard for timely payment of invoices. Unpaid obligations at June 30, 1999 increased to \$6.7 million dollars, almost twice the amount from the previous year. With the increase in unpaid obligations, Motor Vehicles effectively had a fund deficit of \$1.8 million at June 30, 1999.

FY95 – FY99
Revenues vs. Expenditures & Transfers



Motor Vehicles’ strategy to address its cash flow problem includes various cost-cutting measures and revenue enhancement projects. Management faces hard decisions to balance the amount of cost reductions with the level of service quality and efficiency it provides to customers. These cost reductions could directly impact the number of personnel currently employed at Motor Vehicles. This strategy must provide sufficient resources to meet daily cash requirements and accumulate reserves necessary for unexpected disbursements. We have provided additional details and analyses in the “Agency Background” section of our report.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL

On March 26, 1999, the Superintendent of the Albemarle-Charlottesville Regional Jail (Jail) notified us of circumstances suggesting the possibility of fraudulent transactions involving the *Electronic Incarceration Home Monitoring Program*. Jail staff had reviewed inmate records and noted improper use of funds for inmates participating in the program. We met with representatives of the Jail, the State Police, and the Albemarle County Police Department to discuss the circumstances. Subsequently, the Jail authorized the Auditor of Public Accounts to audit inmate records.

Audit Findings

We reviewed the Jail’s accounting records and inmate records for the period July 1, 1997 through June 30, 1998. Our testwork identified internal control weaknesses that we discuss separately in the “Internal Control Issues and Recommendations” section of this report. These internal control weaknesses contributed to the improper use of jail funds as shown below.

1. The Program Administrator diverted \$2,058 from inmate accounts. He used this money to pay *Tracking Systems Corporation* for tracking fees that he failed to collect from several inmates.

2. The Program Administrator did not assess all inmates the authorized fee of \$10 per day for participating in the Home Monitoring Program. Eight inmates paid \$7 per day, resulting in lost revenue for the County of \$3,339.
3. The Program Administrator did not collect all amounts due from inmates. During FY 1998, we *estimated* that he failed to collect \$3,757 from inmates participating in the Home Monitoring Program and \$5,919 from inmates participating in the Work Release Program.
4. The Program Administrator collected eighty-five dollars from inmates but did not deposit the money into the inmate checking account.

Conclusion

A lack of oversight and the internal control weaknesses identified in this report led to improper management of the Home Monitoring and Work Release programs during Fiscal 1998, resulting in the misuse of funds and an estimated loss of revenue to the County of \$13,000. We estimate that further losses occurred in previous years due to these internal control weaknesses.

SUMMARY OF REPORTS ISSUED

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The following reports on audit were released by this Office during the period April 1, 2000 through June 30, 2000. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

State Agencies and Institutions

Judicial Branch

Virginia State Bar for the year ended June 30, 1999

Executive Departments

Commerce and Trade

Department of Housing and Community Development for the year ended June 30, 1999
Department of Mines, Minerals, and Energy for the years ended June 30, 1999 and 1998

Education

The Library of Virginia for the period January 1, 1999 through December 31, 1999

Colleges and Universities

George Mason University for the year ended June 30, 1999*
George Mason University, Intercollegiate Athletic Programs for the year ended June 30, 1999
James Madison University for the year ended June 30, 1999*
James Madison University, Intercollegiate Athletic Programs for the year ended
June 30, 1999
Longwood College for the year ended June 30, 1999
Mary Washington College for the year ended June 30, 1999*
Old Dominion University for the year ended June 30, 1999
Old Dominion University, Intercollegiate Athletic programs for the year ended June 30, 1999
Radford University for the year ended June 30, 1999
Radford University, Intercollegiate Athletic programs for the year ended June 30, 1999
Virginia Military Institute, Review of Systems Implementation dated March 22, 2000*
WNSB-FM Radio Station (A Public Telecommunications Entity Licensed to Norfolk State
University) for the years ended June 30, 1999 and 1998

Health and Human Resources

Agencies Serving Virginians with Disabilities for the year ended June 30, 1999*
Commonwealth Health Research Board for the year ended June 30, 1999
Department of Mental Health, Mental Retardation, and Substance Abuse Services for the
year ended June 30, 1999*

Natural Resources

Chesapeake Bay Local Assistance Department for the year ended June 30, 1999
Department of Conservation and Recreation for the year ended June 30, 1999*
Department of Environmental Quality for the year ended June 30, 1999
Department of Game and Inland Fisheries for the two-year period ended June 30, 1999*

Public Safety

Albemarle-Charlottesville Regional Jail for the period July 1, 1997 through June 30, 1998*
Commonwealth Attorney's Services and Training Council for the years ended June 30, 1998
and 1999
Department of Criminal Justice Services for the year ended June 30, 1999*
Department of Juvenile Justice for the year ended June 30, 1999*
Potomac River Fisheries Commission for the year ended June 30, 1999
Department of State Police for the years ended June 30, 1998 and 1999*

Transportation

Department of Motor Vehicles for the year ended June 30, 1999*

Independent Agencies

Virginia's A.L. Philpott Manufacturing Extension Partnership for the year ended
June 30, 1999

Special Reports

Comparative Report of Local Government Revenues and Expenditures for the year ended
June 30, 1999

Clerks of the Circuit Courts

Cities:

City of Newport News for the period April 1, 1998 through September 30, 1999*

City of Williamsburg/County of James City for the period July 1, 1998 through December 31, 1999

Counties:

County of Charlotte for the period July 1, 1998 through September 30, 1999*

County of Cumberland for the period October 1, 1998 through September 30, 1999

County of Prince Edward for the period July 1, 1998 through September 30, 1999

County of Spotsylvania for the period July 1, 1998 through December 31, 1999

County of York for the period April 1, 1998 through September 30, 1999

Treasurers - Turnover

Cities:

City of Manassas Park for the period July 1, 1999 through February 29, 1 2000

Counties:

County of Giles for the period July 1, 1999 through December 27, 1999