



Quarterly Report Summary - - April 1, 2012 to June 30, 2012

Lack of Standards Increase System Cost and Hinder Transparency

Without data standards, the Commonwealth increased the cost of four new systems between \$3.5 million and \$4.5 million and still cannot provide transparency information on what the Commonwealth buys by vendor and other key information. (page 1)

Virginia Criminal Information Network at risk for infrastructure failure and outages

On January 4th and 19th of 2012, the Virginia State Police (State Police) experienced two network outages of the Virginia Criminal Information Network. Both State Police and the IT Infrastructure Partnership with Northrop Grumman have recognized the problem with the unreliable and unsupported infrastructure devices, but specific security requirements established by the FBI's Criminal Justice Information Services Division has made the replacement of the network difficult and caused problems estimating the cost of the solution. These network failures could also affect local law enforcement agencies. (pages 1 and 2)

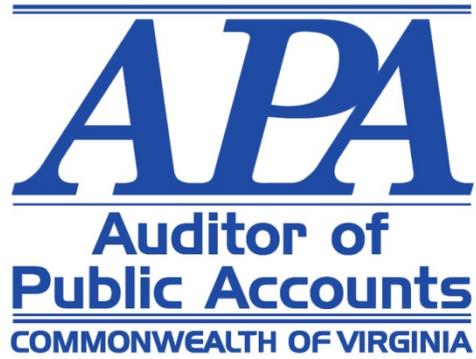
eHHR Program will allow all agencies of the Secretary of Health and Human Resources to modernize and exchange information.

The eHHR Program Management Office represents the development of the information technology infrastructure that will improve Virginia's ability to administer effective social services, support Medicaid expansion, a Health Benefits Exchange, and compliance with other aspects of the Patient Protection and Affordable Care Act of 2010. (pages 2 and 3)

Other Matters

During this quarter we also identified significant issues at Norfolk State University and conducted a review of the City of Richmond Capital Assets at their request. (pages 3 and 4)

We will be happy to provide you any reports in their entirety, or you can find all reports listed in this document at our website <http://www.apa.virginia.gov/reports.cfm>. We welcome any comments concerning this report or its contents.



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Progress Report on Commonwealth Data Standards

The Commonwealth could spend between \$3.5 million to \$4.5 million to independently develop data standards on four major systems development projects, because the Commonwealth has not adopted common data standards, as estimated by our audit work. These four projects, with their combined budget of over \$87 million, represent a large investment of Commonwealth resources, and this effort of continuing to have each project define the data needs of these common business areas is duplicative and inefficient.

The Secretaries of Administration, Finance, and Technology, and the Chief Information Officer should use the electronic Health and Human Resources Program (eHHR) model to develop data standards for the Commonwealth's most fundamental operations, such as:

- the collection of taxes,
- payment to recipients, vendors, and employees,
- management of human resources; and,
- other back office operations.

Benefits will accrue to all of state government with the development and use of data standards.

The success of the eHHR Program shows that with appropriate resources and commitment by management at the Secretarial level; the Commonwealth can develop and implement data standards. Data standards improve current operations in the delivery of benefits and the reduction of risk, and also set the ground work for reducing future system development costs.

Virginia Department of State Police

Upgrade Unreliable and Unsupported Infrastructure Devices

On January 4th and 19th of 2012, the Virginia State Police (State Police) experienced two network outages due to failing network devices, lasting 12 and five hours, respectively. During the outage, State Troopers could not access the Virginia Criminal Information Network (VCIN) to conduct background checks while performing their law enforcement duties. State Police is using unreliable and unsupported infrastructure devices to run its network that allows State Troopers and external law enforcement entities to connect to critical systems, such as the Virginia Criminal Information Network (VCIN).

Both State Police and the IT Infrastructure Partnership with Northrop Grumman (Partnership) have recognized the problem with the unreliable and unsupported infrastructure devices, but specific security requirements established by the FBI's Criminal Justice Information Services Division has made the replacement of the network difficult and caused problems estimating the cost of the solution. Both parties have agreed that transformation should not start until State Police and the Partnership can agree on a final network design. The Partnership has proposed the

final network design, but it does not include the equipment or software for the more than 600 non-State Police agencies that use the network.

The non-State Police agencies using the network consist of local law enforcement agencies, Commonwealth's Attorneys, local and state correctional facilities and other related agencies. These agencies have acquired the equipment and software to use the State Police network over time and therefore will have numerous issues adjusting to any changes that will occur with this network. Further, most of the equipment and software is not part of the Partnership agreement.

Unfortunately the current state of the network presents a greater risk of continuing network outages, which may make the option of waiting for a final and complete design unacceptable to the alternative of starting a phased transition implementation immediately. Compounding the problem is that there are several hundred routers that the vendor will no longer support after November 2012. There is simply not enough time to replace all of these devices even if transformation began today.

We recommend that State Police plans a phased approach that will allow transformation to start immediately and that is flexible enough to accommodate as many changing requirements as possible. While considering extra flexibility may result in higher implementation costs, delaying transformation of its aging network is exponentially increasing the risk of failure and the inability for its Troopers and other law enforcement entities to access time sensitive information when performing their public safety duties.

Other Matters

The State Police have made progress on correcting findings from the prior audit, which included improving their employment eligibility verification, fleet management processes, controls over physical inventories, and upgrading database system software. We determined that State Police has taken adequate corrective action to improve its employment eligibility verification process. Their corrective action related to fleet management is on-going with an estimated completion date of October 2012. The State Police have adequately addressed the physical inventory recommendation. However, the State Police have made limited progress in upgrading their database system software. This audit identified two new internal control weaknesses, one of which we discuss above.

Electronic Health and Human Resources (eHHR) Program -- Virginia's Medicaid Modernization Solution

This first report reflects our on-going review of the eHHR Program Management Office and the information technology projects it is overseeing, which is a \$101 million joint investment between Virginia and the federal government. These projects and the management of the eHHR Program Management Office represent the development of the information technology infrastructure that will improve Virginia's ability to administer effective social services, support Medicaid expansion, a Health Benefits Exchange, and compliance with other aspects of the Patient Protection and Affordable Care Act of 2010.

There are numerous risks that could adversely affect the success of the eHHR Program. Some of these risks are outside the control of the Program Director and some are risks common to information systems development projects:

- Program Management Offices are New in Virginia – This is the first time the Commonwealth has used a Program Management Office to oversee multiple projects, and current project management standards may not always be suitable.
- Program Authority – The Virginia Secretary of Health and Human Resources and the Commonwealth Chief Information Officer need to clearly document in the eHHR Program Charter the organizational and reporting structure of the eHHR Program Office.
- Condensed Timeline – Ideally, the eHHR Program Office would have been established, followed by planning its projects and their interdependencies. In reality, Virginia had to begin early to prepare for Medicaid expansion by October 2013 and started several projects before the eHHR Program was staffed and operating. Also, the Department of Social Services has less than two years to secure a vendor to replace its current Medicaid eligibility system. The eHHR Program Office has established program milestones, but does not have a critical path based on detailed project plans and interdependencies.
- Healthcare Reform Uncertainty – The Supreme Court ruling on the Patient Protection and Affordable Care Act of 2010 will not occur until June 2012.
- Uncertain Timeline Flexibility – Due to the complicated uncertainty of Healthcare Reform and state responsibilities for conforming, key stakeholders believe that the October 2013 deadline will have to be pushed back. However, if the Patient Protection and Affordable Care Act of 2010 is upheld, it would take an act of Congress to amend the law to extend the Medicaid expansion deadlines.
- Restrictions on Data Sharing Among Agencies - Federal and state laws restrict agencies from readily sharing recipient information. The legislature did not approve proposed budget language to remove state data sharing barriers. As an interim solution, the eHHR Program Office is working with the Attorney General's Office to develop a data sharing agreement and legislation that would permit agencies to share information. Delays in finalizing this agreement could adversely affect the eHHR program.

Our review hopes to detect problems at the earliest possible point and inform and alert decision makers so that they can take action to reduce potential failures. In this report, we highlight the progress of the eHHR Program Office as well as selected projects we are actively monitoring. We identify risks and make recommendations where applicable to improve both program and project management practices.

Norfolk State University

On April 2, 2012 we started the audit of Norfolk State University for the fiscal year ended June 30, 2011. During our initial audit procedures we encountered issues that make it difficult for us to complete the audit for the year ended June 30, 2011. Moreover, these issues are currently impacting the

control environment and financial operations of the University and constitute material weaknesses in internal controls. Without significant interim actions, we believe the potential for fraud exists, that normal operations may be impaired, and completion of financial statements for the year ending June 30, 2012 may not occur.

Many of the issues and problems cited in this letter are the result of significant turnover and extended vacancies of key financial positions within the University. While at least three of these individuals have assignments to be either acting or interim in these positions, these individuals continue to have full responsibility for completing their regular assignments. Additionally, many of these individuals did not participate in the preparation of the June 30, 2011 financial statements and therefore do not know how the University prepared the statements.

We found issues, which this report details in the areas of *Internal Control, System Implementation* and *Financial Reporting Issues for the year ended June 30, 2011*. We are continuing to monitor this situation.

City of Richmond Capital Asset Review

The City of Richmond requested the Auditor of Public Accounts to review the City's methodology to implement Governmental Accounting standards Board Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments specifically regarding capital assets and determine if that methodology was appropriate. This request came as a result of the City's internal and external auditors citing issues with the City's capital asset reporting and attached is our report.

Based on the data available, the City did not properly implement GASB 34 with respect to land and buildings. Specifically, the City's methodology did not take into consideration improvements occurring subsequent to the acquisition or construction of the property.

Before taking any further actions, the Department of Finance, Richmond City Auditor, and the external auditors need to meet and agree on a plan of action to move forward to prevent duplication of efforts or wasted efforts. Starting with the methodology applied and opined upon as of June 30, 2011, by the external auditor, the parties should agree upon a work plan approach. Otherwise, this matter will continue to remain unresolved.

SUMMARY OF REPORTS ISSUED

The following reports on audit were released by this Office during the period April 1, 2012 to June 30, 2012. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

Judicial Branch

Virginia Board of Bar Examiners for the years ended June 30, 2010 and June 30, 2011
Virginia State Bar for the year ended June 30, 2011

Independent Agencies

Virginia Office for Protection and Advocacy for the three-year period ended June 30, 2011*

Executive Departments

Administration

Human Rights Council for the years ended June 30, 2009, June 30, 2010, and June 30, 2011

Agriculture and Forestry

Department of Forestry for the years ended June 30, 2009, 2010, and 2011

Colleges and Universities

Christopher Newport University for the year ended June 30, 2011*
James Madison University for the year ended June 30, 2011
Longwood University for the year ended June 30, 2011
New College Institute for the years ended June 30, 2010 and 2011*
Virginia Military Institute for the year ended June 30, 2011
Virginia State University for the year ended June 30, 2011*

Natural Resources

Potomac River Fisheries Commission for the year ended June 30, 2011
Rappahannock River Basin Commission for the year ended June 30, 2011

Public Safety

Department of Corrections, Virginia Parole Board, and Virginia Correctional Enterprises for the year ended June 30, 2011*

Department of Fire Programs for the years ended June 30, 2010 and June 30, 2011*

Virginia Department of State Police for the years ended June 30, 2010 and June 30, 2011*

Special Reports

City of Richmond Capital Asset Review as of May 17, 2012*

Electronic Health and Human Resources (eHHR) Program—Virginia's Medicaid Modernization Solution as of June 2012*

Norfolk State University – Special Letter

Progress Report on Commonwealth Data Standards—May 2012*

Report to the Joint Legislative Audit and Review Commission for the quarter January 1, 2012 through March 31, 2012*

Review of Agency Performance Measures for the year ended June 30, 2011*

Clerks of the Circuit Courts

Cities:

City of Alexandria – April 1, 2011 through March 31, 2012

City of Buena Vista – January 1, 2011 through March 31, 2012

City of Hampton – April 1, 2011 through March 31, 2012

City of Lynchburg – January 1, 2011 through March 31, 2012*

City of Newport News – April 1, 2011 through March 31, 2012

City of Petersburg (Turnover) – January 1, 2010 through December 31, 2011*

City of Roanoke – January 1, 2011 through December 31, 2011

City of Virginia Beach – January 1, 2011 through December 31, 2011

Counties:

County of Alleghany – July 1, 2010 through March 31, 2012

County of Amherst – April 1, 2010 through December 31, 2011*

County of Buchanan – July 1, 2010 through March 31, 2012

County of Carroll – January 1, 2011 through December 31, 2011*

County of Charles City – January 1, 2011 through December 31, 2011*

County of Charlotte – April 1, 2010 through December 31, 2011

County of Cumberland – April 1, 2010 through March 31, 2012

County of Dickenson – January 1, 2011 through December 31, 2011*

County of Dinwiddie – January 1, 2010 through December 31, 2011

County of Fairfax – April 1, 2010 through December 31, 2011

County of Franklin – April 1, 2011 through March 31, 2012

County of Henry – April 1, 2010 through March 31, 2012*

County of Lancaster – January 1, 2011 through December 31, 2011
County of Louisa – April 1, 2010 through December 31, 2011
County of Middlesex – January 1, 2011 through December 31, 2011*
County of Montgomery – April 1, 2011 through March 31, 2012
County of Nelson – April 1, 2010 through December 31, 2011
County of Nottoway – January 1, 2011 through December 31, 2011*
County of Patrick – April 1, 2010 through March 31, 2012
County of Prince Edward – January 1, 2010 through December 31, 2011
County of Pulaski – January 1, 2011 through March 31, 2012
County of Rappahannock – April 1, 2011 through March 31, 2012
County of Roanoke – January 1, 2011 through March 31, 2012
County of Rockbridge – April 1, 2010 through March 31, 2012*
County of Surry – January 1, 2011 through December 31, 2011
County of Sussex – January 1, 2011 through December 31, 2011
County of Westmoreland – January 1, 2011 through March 31, 2012

State Accounts

Counties:

County of Henrico (Turnover) as of April 30, 2012
County of Powhatan for the year ended June 30, 2011

Magistrates

Cities:

City of Petersburg – July 1, 2010 through June 30, 2011
City of Richmond (Criminal Division) – July 1, 2010 through June 30, 2011*

Counties:

County of Amelia – July 1, 2010 through June 30, 2011
County of Chesterfield – July 1, 2010 through June 30, 2011*
County of Loudoun – July 1, 2010 through June 30, 2011
County of Lunenburg – July 1, 2010 through June 30, 2011*
County of New Kent – July 1, 2010 through June 30, 2011
County of Page – July 1, 2010 through June 30, 2011
County of Powhatan – July 1, 2010 through June 30, 2011*
County of Prince Edward – July 1, 2010 through June 30, 2011*
County of Rockingham – July 1, 2010 through June 30, 2011
County of Warren – July 1, 2010 through June 30, 2011

General District Courts

Cities:

City of Petersburg – July 1, 2010 through June 30, 2011*

City of Richmond (Criminal Division) – July 1, 2010 through June 30, 2011

Counties:

County of Augusta – July 1, 2010 through June 30, 2011*

County of Chesterfield – July 1, 2010 through June 30, 2011

County of Loudoun – July 1, 2010 through June 30, 2011

County of New Kent - July 1, 2010 through June 30, 2011

County of Page – July 1, 2010 through June 30, 2011*

County of Rockingham – July 1, 2010 through June 30, 2011

Combined District Courts

Cities:

City of Colonial Heights – July 1, 2010 through June 30, 2011

Counties:

County of Amelia – July 1, 2010 through June 30, 2011

County of Powhatan – July 1, 2010 through June 30, 2011

County of Prince Edward – July 1, 2010 through June 30, 2011*

Juvenile and Domestic Relations Courts

Cities:

City of Richmond – July 1, 2010 through June 30, 2011*

Counties:

County of Chesterfield – July 1, 2010 through June 30, 2011

County of Rockingham – July 1, 2010 through June 30, 2011*

*Denotes management control finding