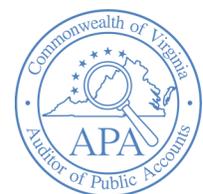




JOINT LEGISLATIVE AUDIT
AND
REVIEW COMMISSION

QUARTERLY REPORT SUMMARY
APRIL 1, 2016 THROUGH JUNE 30, 2016

Auditor of Public Accounts
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QUARTERLY REPORT SUMMARY - APRIL 1, 2016, TO JUNE 30, 2016

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 April 1, 2016, to June 30, 2016. 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.

Special Reports

Progress Report on Selected System Development Projects in the Commonwealth

Our Progress Report on Selected System Development Projects reflects our on-going review of \$269 million in Commonwealth information technology system development projects. Our review goal is to detect problems at the earliest possible point and alert decision makers of this information, thereby reducing potential project failures. We have chosen to highlight three projects in this report because they are experiencing schedule delays or budget concerns:

Virginia Employment Commission Unemployment Insurance Modernization Project
Project began in 2009 with a \$58.5 million budget. The most recent phase was implemented 3 years later than scheduled and final phase does not yet have an established go-live date. Less than 20 percent of project budget remains and this may be too little to cover internal staffing cost or contingencies.

Department of State Police Central Criminal History Project
Project began in 2013 with a \$7.4 million budget. The project has incurred a three-month delay due to project team turnover and unplanned changes to the legacy system which affected available project resources. Employees experienced with the legacy COBOL-based system are nearing retirement and replacement staff are not readily available in the marketplace, making the project high risk.

Behavioral Health and Developmental Services' Electronic Health Records Project
Project began in 2013 with a scope of implementing Electronic Health Records in 14 locations by 2015 at a cost of \$32 million. The original budget was grossly underestimated because it did not consider the cost of on-going system maintenance and DBHDS received a funding increase to \$39.9 million. Despite this increase, it was only sufficient to implement the system at three locations and the most recent location went live in 2016, a year later than all 14 locations were originally scheduled to be done. DBHDS requested additional funding for the 2017/2018 biennium, but it was denied. They plan to request funding again in future periods.

Access the [Full Report](#) or [Executive Summary](#) on our website.

Department of Game and Inland Fisheries

Our audit of the Department of Game and Inland Fisheries (DGIF) for the year ended June 30, 2015, found that DGIF has continued to make progress in implementing corrective action for findings in previous audit reports. However, there were four findings that DGIF did not completely correct and are repeated in this year's report. DGIF did not properly record and review several financial transactions, did not reconcile and suspend amounts in revenue clearing accounts, did not perform a complete physical inventory of assets within a two-year period, and did not conduct thorough reconciliations between the human resource system and *myVRS Navigator*. DGIF had three new findings, which included not properly reconciling its internal financial system to the Commonwealth financial system, not having adequate procedures surrounding the recording of construction in progress, and not conducting adequate payroll certification procedures. Access the [Full Report](#) or [Executive Summary](#) on our website.

Department of General Services

Our audit of the Department of General Services for the period July 1, 2012, through June 30, 2015, identified six internal control and compliance findings. General Services should develop policies and procedures governing system access control, which is a repeat recommendation from prior audits. Additionally, General Services should implement procedures for gaining appropriate assurance over all operations of service providers that impact the IT environment and sensitive data. General Services should also work to improve procedures related to required monthly reconciliations including their internal financial system and the Commonwealth's financial system, their internal human resource records and the VRS system, and monthly small purchase charge card transactions. Finally, we identified several recommendations related to Information System Security which were communicated to management. Access the [Full Report](#) on our website.

Virginia School for the Deaf and Blind

Our audit of the Virginia School for the Deaf and the Blind for the period July 1, 2012, through June 30, 2015, found the School continues to operate its firewall that protects its instructional and student networks without documented policies and procedures. The School also continues to operate without information technology (IT) risk management and contingency plans and without an information security program. The School procured IT services with a third-party vendor to assist in developing an information security program, but has no timetable, resources, or plan to complete the remainder of its information security program, which will likely require assistance from third-party resources. The School does not have adequate controls over the accounting for Construction in Progress. The School understated buildings recorded in Fixed Asset Accounting and Control System (FAACS) by approximately \$3.6 million and did not properly remove three demolished assets associated with the construction project from FAACS. The School continues to improperly record school revenues by using intra-agency expenditure recoveries instead of recording receipts as revenues to account for \$657,351 in revenues for fiscal year 2014 and \$283,429 in revenues for fiscal year 2015. The School could not support its calculation and does not have documented policies and

procedures for reimbursement of the salaries for state employees performing Foundation duties. Access the [Full Report](#) or [Executive Summary](#) on our website.

Higher Education Institution Reports

During the quarter we completed audits of five of the Commonwealth’s higher education institutions. We issued unmodified opinions on the financial statements of each of these institutions. We included internal control and/or compliance recommendations in all five of the audits addressing various issues that we summarize by higher education institution in the following table.

Control and/or Compliance Area	CNU	GMU	JMU	RU	VMI
Reconciliation of Financial Aid Awards*		X	X	X	X
Enrollment Reporting*			X	X	X
Notification of Awards to Students*		X		X	X
Promptly Return Financial Aid Funds*			X	X	X
Information System Security	X	X			
Financial Aid Verification Process*					X
Library Book Valuation		X			
Reconcile Federal Funds Accounts*					X

*Finding relates to testing of Student Financial Assistance Programs in support of the Commonwealth’s Single Audit of federal funds.

Other Reports

During the quarter, we issued our Comparative Report of Local Government Revenues and Expenditures for the fiscal year ended June 30, 2015, which is available on our website at http://www.apa.state.va.us/APA_Reports/LG_ComparativeReports.aspx.

Other Activities

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.

State Government Organizations

Group	Presentation / Training Topic
College and University Auditors of Virginia	Provided an update on implementation of new pension standards, National Collegiate Athletic Association agreed upon procedures, results of our 2015 audits, and upcoming work required by the General Assembly. Also, discussed changes to our audit of student financial assistance and research and development programs as a result of new federal Uniform Guidance and potential impact of proposed accounting and financial reporting standards for fiduciary activities.
Office of the State Inspector General's State Agency Update Conference	Provided information about current APA activities, recent trends in audit recommendations, and new areas of focus for upcoming audits.

Local Government Auditors and Organizations

Group	Presentation / Training Topic
Virginia Government Finance Officers' Association Central Regional Training	Provided an update on various topics including the Commonwealth's new Cardinal accounting system, local government Comparative Report transmittal form process, updates to 2016 APA Specifications, results of quality control reviews over firms auditing Virginia's local governments, and new pension accounting and financial reporting standards.
Robinson, Farmer, Cox Associates	Provided an update on various topics including the Commonwealth's new Cardinal accounting system, local government Comparative Report transmittal form process, updates to 2016 APA Specifications, results of quality control reviews over firms auditing Virginia's local governments, and new pension accounting and financial reporting standards.

Other Groups

Group	Presentation / Training Topic
American Institute of Certified Public Accountants' Government Audit Quality Center Webcast	Provided an update on the Single Audit and the 2016 Compliance Supplement.
American Institute of Certified Public Accountants' Practitioners Symposium and Tech+ Conference	Provided a session on "big data" including a high level overview of what it is, why it matters to CPAs, and real life examples of "big data."
Mid-Atlantic Intergovernmental Audit Forum	Provided information on how we assess the quality of Local Government Single Audits in Virginia using Information from the Federal Audit Clearinghouse. Discussed Virginia's plans for completing Type B risk assessments and federal agencies' responsibilities under new Uniform Guidance.
National Association of State Auditors, Comptrollers and Treasurers, in conjunction with the Association of Government Accountants and the Association of Local Government Auditors, Webinar	Discussed differences between OMB Circular A-133 and the Uniform Guidance for Single Audit major program determination and reporting requirements. Provided information on how to proactively adjust testing to manage workload for continued quality Single Audits in preparation for the upcoming changes.
New York State Society of CPAs Annual Conference	Discussed prior and future studies of Single Audits and their impact on the profession, new responsibilities for auditors, and actions for enhancing audit quality.

In April we represented the Commonwealth of Virginia at the Single Audit Roundtable meeting in Washington D.C. At the twice-a-year event, Federal officials, a representative from the National State Auditors Association, representatives from all the major accounting firms, and representatives from a few states audit organizations exchange ideas, problems, solutions, and best practices for performing Single Audits of federal programs.

During the quarter, the Auditor of Public Accounts also participated in several meetings as a member of the Yellow Book Advisory Council. The Council works with the U.S. Government Accountability Office in reviewing proposed updates to government auditing standards.

SUMMARY OF REPORTS ISSUED

The following reports on audit were released by this Office during the period April 1, 2016, to June 30, 2016. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

Judicial Branch

Clerk of the Court of Appeals of Virginia for the period July 1, 2014 through June 30, 2015
Clerk of the Supreme Court of Virginia for the period July 1, 2014 through June 30, 2015
Virginia State Bar for the year ended June 30, 2015

Executive Branch

Administration

Department of General Services for the period July 1, 2012 through June 30, 2015*

Commerce and Trade

Department of Labor and Industry for the period July 1, 2012 through January 31, 2016
Virginia Board of Accountancy for the year ended June 30, 2015

Education

Science Museum of Virginia for the period July 1, 2011 through June 30, 2015*
The Library of Virginia for the period July 1, 2012 through January 31, 2016*
Virginia Commission for the Arts for the period July 1, 2012 through June 30, 2015*
Virginia School for the Deaf and Blind for the period July 1, 2012 through June 30, 2015*

Colleges and Universities

Christopher Newport University (CNU) for the year ended June 30, 2015*
George Mason University (GMU) for the year ended June 30, 2015*
James Madison University (JMU) for the year ended June 30, 2015*
Radford University (RU) for the year ended June 30, 2015*
Virginia Military Institute (VMI) for the year ended June 30, 2015*

Natural Resources

Department of Game and Inland Fisheries for the year ended June 30, 2015*
Marine Resources Commission for the period July 1, 2012 through June 30, 2015
Potomac River Fisheries Commission for the fiscal year ended June 30, 2015

Public Safety

Department of Corrections, Virginia Parole Board, Virginia Correctional Enterprises for the year ended June 30, 2015*
Department of Forensic Science for the period July 1, 2012 through June 30, 2015*
Department of Juvenile Justice for the period July 1, 2012 through June 30, 2015*
Department of Military Affairs for the period July 1, 2012 through June 30, 2015*

Special Reports

Progress Report on Selected System Development Projects in the Commonwealth – as of December 31, 2015*
Report to the Joint Legislative Audit and Review Commission for the quarter January 1, 2016 through March 31, 2016

Clerks of the Circuit Courts

Cities:

Danville – April 1, 2014 through December 31, 2015*
Virginia Beach – October 1, 2014 through December 31, 2015

Counties:

Accomack – July 1, 2014 through June 30, 2015*
Albemarle – July 1, 2014 through June 30, 2015*
Chesterfield – July 1, 2013 through March 31, 2016
Giles – July 1, 2014 through June 30, 2015
Lancaster – January 1, 2015 through March 31, 2016
Montgomery – April 1, 2014 through December 31, 2015*
Pittsylvania – April 1, 2014 through March 31, 2016*
Powhatan – July 1, 2013 through December 31, 2015*
Westmoreland – January 1, 2015 through December 31, 2015

State Accounts

Cities:

Covington – April 30, 2016 ❖
Danville – May 5, 2016 ❖
Lynchburg – May 3, 2016 ❖

General Receivers (For the year ended June 30, 2015)

Counties:

Wise-Norton
Wise-Norton - January 7, 2016 ❖

Combined District Courts (for the period July 1, 2014 – June 30, 2015)

Cities:

Buena Vista	Hopewell
Galax	Petersburg

Counties:

Alleghany	Buchanan	Goochland	Powhatan*	Rockingham
Bath	Charlotte	Grayson	Prince Edward	Scott
Bland	Craig	Greene	Prince George	Tazewell
Botetourt	Dickenson	Lee	Radford	Wythe
Brunswick*	Floyd	Madison	Richmond	York

General District Courts (for the period July 1, 2014 – June 30, 2015)

Cities:

Alexandria*	Staunton
Charlottesville	Virginia Beach
Hampton	Winchester
Roanoke	

Counties:

Appomattox	Halifax	Northumberland
Augusta	Hanover	Patrick
Bedford	King and Queen	Pulaski
Campbell	Lancaster	Roanoke
Caroline	Loudoun	Rockbridge
Carroll	Louisa	Rockingham
Chesterfield	Montgomery	Smyth
Fauquier*	Nelson	Spotsylvania*
Frederick	Northampton	Stafford*

Juvenile and Domestic Relations Court (for the period July 1, 2014 – June 30, 2015)

Cities:

Charlottesville*	Roanoke*
Lynchburg	Staunton
Petersburg	Williamsburg/James City
Richmond*	Winchester

Counties:

Appomattox	Frederick	New Kent	Rockingham
Augusta	Halifax*	Northampton	Smyth
Bedford	Lancaster	Northumberland	Warren
Caroline	Loudoun*	Patrick	Westmoreland
Carroll	Louisa	Pulaski	Wise
Charlotte	Montgomery	Roanoke	Wythe*
Chesterfield	Nelson	Rockbridge	York

Magistrates (for the period July 1, 2014 – June 30, 2015)

- 11th District: City of Petersburg; and Counties of Amelia, Dinwiddie, Nottoway, and Powhatan
- 12th District: Chesterfield County and the City of Colonial Heights
- 15th District: City of Fredericksburg; Counties of Essex, Hanover, King George, Lancaster, Northumberland, Richmond, Spotsylvania, Stafford, Westmoreland*
- 16th District: Counties of Albemarle, Culpeper, Fluvanna, Goochland, Greene, Louisa, Madison, and Orange and City of Charlottesville
- 20th District: Counties of Fauquier, Loudoun, and Rappahannock
- 21st District: City of Martinsville; and Counties of Henry and Patrick
- 22nd District: City of Danville; and Counties of Franklin and Pittsylvania
- 23rd District: County of Roanoke/Salem and City of Roanoke
- 24th District: City of Lynchburg and Counties of Amherst, Bedford, Campbell, and Nelson

25th District: Counties of Alleghany, Augusta, Bath, Botetourt, Craig, Highland and Rockbridge, and Cities of Waynesboro, Staunton and Buena Vista

26th District: City of Winchester and Counties of Clarke, Frederick, Page, Rockingham, Shenandoah and Warren

27th District: Cities of Galax and Radford and Counties of Carroll, Floyd, Giles, Grayson, Montgomery and Pulaski

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

Cities:

13th District: Richmond

18th District: Alexandria

2nd District: Virginia Beach

Counties:

31st District: Prince William

*Denotes management control finding

❖Denotes turnover reports