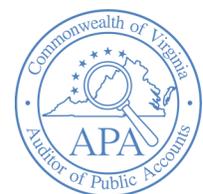




JOINT LEGISLATIVE AUDIT
AND
REVIEW COMMISSION

QUARTERLY REPORT SUMMARY
APRIL 1, 2018 THROUGH JUNE 30, 2018

Auditor of Public Accounts
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QUARTERLY REPORT SUMMARY - APRIL 1, 2018, TO JUNE 30, 2018

Audit Activities

The [Summary of Reports Issued](#) section at the end of this report lists all reports issued by the Auditor of Public Accounts (APA) or our contracted firms during the period April 1, 2018, to June 30, 2018. 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

2017 Internal Control Questionnaire Results

Our 2017 Internal Control Questionnaire Results communicates the overall results of the reviews of internal controls performed during 2017 and highlights the common deficiencies identified across agencies reviewed. The scope of our review included 19 agencies and as a result of our reviews, we issued recommendations for improvements in internal controls to 15 agencies. We were unable to perform any procedures at one of the agencies in our scope (Department of Fire Programs) due to inadequate staff in the fiscal department. The main areas with recommendations were information security, policies and procedures, statewide accounting system reconciliations, Agency Risk Management and Internal Control Standards, and small purchase charge cards. Access the [Full Report](#) on our website.

Progress Report on Selected System Development Projects in the Commonwealth

Our Progress Report on Selected System Development Projects reflects our on-going review of \$96.6 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. The report highlights four projects across three different agencies that are experiencing schedule delays, budget concerns, or have other risks: Alcoholic Beverage Control's Financial System Replacement and Licensing System Replacement, Virginia Employment Commission's Unemployment Insurance Modernization, and Department of Accounts' Cardinal Payroll Project.

For each of these highlighted projects, agency management is aware of the delays or concerns and the project team has been operating transparently to keep stakeholders aware of all associated risks. The project teams continue to inform us of decisions that affect these projects, invite us to attend project team meetings, and properly report the project's status to the Virginia Information Technologies Agency. Access the [Full Report](#) on our website.

Agency Reports

Potomac River Fisheries Commission

During our audit of the [Potomac River Fisheries Commission](#), for the year ended June 30, 2017, we noted the Commission continues to have a potential going concern issue for the second year. While the Commission has recently begun to address this problem, they have not taken any extraordinary measures to bring the situation under control. We also noted internal control deficiencies related to financial recording and timely preparation of bank reconciliations due to lack of personnel with adequate accounting knowledge. Finally, the Commission has not adopted an applicable security standard and does not have an adequate disaster recovery plan.

Higher Education Institution Reports

For our 2018 work plan, we changed our staffing process for our audits of the Commonwealth's higher education institutions to ensure that we completed fieldwork prior to the spring Board meetings of the institutions. We were successful in our new approach, completing the audits of all four-year higher education institutions by early June, making our reports timelier for both management and the board members in performing their oversight process. Because of this new approach, during the quarter we completed audits of ten of the higher education institutions. In the prior year, we did not complete all of these audits until September. We issued unmodified opinions on the financial statements of each of these institutions. We included internal control and/or compliance recommendations in eight 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	LU	NSU	ODU	RBC*	CWM	UMW
Accrual of Accounts Payable							1		
Capital Assets				1**	1		1**		
Federal Grant Time and Effort Reporting				1					
Federal Student Financial Aid					1	1	3		1
Financial Reporting							1**	1	
Information System Access	1								1
Information System Security	1	2	2	4**	5				2
Oversight of Third-Party Service Providers				1			1		
Reconciliation							2		
Scholarship Allowance Estimate				1					
Terminated Employees					1		1		
Wage Employee Hour Compliance					1				
Write-off of Accounts Receivable							1		

*Richard Bland College (RBC) is included in the College of William and Mary in Virginia's (CWM) report.

**Includes finding classified as a material weakness in internal control.

Other Activities

Monitoring Accounting and Auditing Standards

During the quarter, our Office reviewed several documents issued for comment by the various standard setting entities that govern the auditing standards that we follow in performing our audits and 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 a response to the applicable standard setting entities during this quarter.

Standard Setting Entity	Document Reviewed
AICPA	Exposure Draft: <i>Auditor Reporting and Proposed Amendment – Addressing Disclosures in the Audit of Financial Statements</i>
AICPA	Exposure Draft: <i>The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports</i>
AICPA	Exposure Draft: <i>Omnibus Statement on Auditing Standards – 2018</i>
GASB	Invitation to Comment: <i>Revenue and Expense Recognition</i>

AICPA American Institute of Certified Public Accountants

GASB Governmental Accounting Standards Board

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. In April, the Auditor of Public Accounts participated in a meeting of the Yellow Book Advisory Council. The Council works with the U.S. Government Accountability Office in reviewing proposed updates to government auditing standards. Also, 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 representative from a few state audit organizations exchange ideas, problems, solutions, and best practices for performing Single Audits of federal programs. During the quarter, we also 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
College and University Auditors in Virginia (CUAV)	Provided updates on APA projects and activities, the 2018 legislative session, information technology outsourcing, the single audit of federal funds major program cycle, and new accounting and auditing standards. Discussed audit results from the prior year and common areas reported involving frauds.
Fiscal Officers of Colleges and Universities – State Supported (FOCUS)	Provided updates on information technology outsourcing, the single audit of federal funds major program cycle, and new accounting and auditing standards. Discussed audit results from the prior year and upcoming projects.
Office of the State Inspector General’s State Agency Update Conference	Provided update on APA’s current audit and work plan initiatives to include an overview of the Office’s structure and strategic planning; annual audit results for CAFR, single audit of federal funds, and higher education audits; the Office’s new cycled agency and internal control questionnaire approach; local government oversight and monitoring; various miscellaneous updates and upcoming projects impacting state agencies and higher education; and reminders on the implementation of other post- employment benefits standards.
Virginia Government Finance Officers’ Association Spring Conference	Provided an update on various local government topics including reminders on important locality annual requirements, updates to APA Specifications and the Uniform Financial Reporting Manual, results of quality control reviews over firms auditing Virginia’s local governments, pension and other post-employment benefits, and fiscal distress monitoring over localities.
United States Government Accountability Office – International Auditor Fellowship Program	Presented information to international fellows from multiple countries on the APA’s history, work plan, and approach to performing financial audits.
Association of Government Accountants (AGA) – Roanoke Chapter Professional Development Training	Provided update on internal control issues reported in the Commonwealth’s 2017 Single Audit of federal funds.
Institute of Internal Auditors – Roanoke Chapter	Provided an update on the APA’s fiscal distress monitoring over localities including new legislative requirements, criteria used, results of reviews performed, and future plans to refine the model and annual monitoring process.
New York State Society of CPAs - Government Accounting and Auditing Conference	Provided an update on the American Institute of CPAs Government Audit Quality Center focusing on single audits of federal funds.

Peer Review

In April, our Office underwent a peer review of the system of quality control over the work we perform. Every three years our Office undergoes an external peer review to determine whether our Office has an adequately designed internal quality control system and is following that system in the audits we are performing. The purpose of that system is to ensure that we follow applicable standards issued by the American Institute of Certified Public Accountants and the Government Accountability Office when we are performing our audits. We participate in the National State Auditors Association peer review program. Our review is performed by staff from other state audit organizations as well as a representative from the United States Department of Health and Human Services, who reviews the work we perform to support the Commonwealth's Single Audit of federal funds.

The review included audits our Office performed for the period March 1, 2017, through February 28, 2018. We received a rating of pass, which is the highest rating available and indicates that our system of quality control has been suitably designed and complied with to provide reasonable assurance that we have materially complied with applicable auditing standards. The peer review team did not note any issues that rose to the level of a deficiency or finding during the review. The [Peer Review Report](#) is available on our website.

Our Office received the highest rating of pass during our 2018 external peer review, with no issues rising to the level of a deficiency or finding related to the work reviewed.

APA Statewide Meeting

In May, we held our annual statewide meeting for our staff. During the day, we had several team building activities geared toward helping all staff learn some interesting facts about each other as well as learning to work together in different team environments. In addition, we had a session on being an impact maker using the Dale Carnegie Principles as well as a session on office's audit and other activities during the last year, including an overview of our locality fiscal distress monitoring process.

SUMMARY OF REPORTS ISSUED

The following reports were released by this Office or its contracted firms during the period April 1, 2018, to June 30, 2018. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

State Agencies and Institutions

Commerce and Trade

Tobacco Region Revitalization Commission for the year ended June 30, 2016*
Virginia Board of Accountancy for the year ended June 30, 2017
Virginia Small Business Financing Authority – Economic Development Cluster Federal Program for the year ended June 30, 2017 *

Education

Virginia School for the Deaf and Blind-Audit of Select Cycles for the year ended June 30, 2017*

Colleges and Universities

Christopher Newport University for the year ended June 30, 2017*
George Mason University for the year ended June 30, 2017*
James Madison University for the year ended June 30, 2017*
Longwood University for the year ended June 30, 2017*
Norfolk State University for the year ended June 30, 2017*
Old Dominion University for the year ended June 30, 2017*
Radford University for the year ended June 30, 2017
The College of William and Mary in Virginia, Virginia Institute of Marine Science, and Richard Bland College for the year ended June 30, 2017*
University of Mary Washington for the year ended June 30, 2017*
Virginia Military Institute for the year ended June 30, 2017

Health and Human Resources

Assistive Technology Loan Fund Authority for the year ended June 30, 2017
Virginia Foundation for Healthy Youth for the year ended June 30, 2017

Natural Resources

Potomac River Fisheries Commission for the year ended June 30, 2017*
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, 2017

Special Reports

2017 Internal Control Questionnaire Results for the period January 1, 2017, through December 31, 2017*
Progress Report on Selected System Development Projects in the Commonwealth as of December 31, 2017*
Report to the Joint Legislative Audit and Review Commission for the quarter January 1, 2018, through March 31, 2018

Clerks of the Circuit Courts

Cities:

Bristol – April 1, 2017, through March 31, 2018
Charlottesville – April 1, 2017, through March 31, 2018*
Danville – April 1, 2017, through March 31, 2018
Radford – April 1, 2017, through March 31, 2018
Richmond – January 1, 2017, through December 31, 2017
Roanoke – January 1, 2017, through March 31, 2018
Suffolk – April 1, 2017, through March 31, 2018
Williamsburg / James City County – April 1, 2017, through March 31, 2018

Counties:

Albemarle – April 1, 2017, through March 31, 2018*
Alleghany – January 1, 2017, through December 31, 2017
Appomattox – April 1, 2017, through March 31, 2018
Botetourt – October 1, 2016, through March 31, 2018
Brunswick – January 1, 2017, through March 31, 2018
Buchanan – January 1, 2017, through December 31, 2017*
Buckingham – January 1, 2017, through December 31, 2017
Carroll – January 1, 2017, through March 31, 2018
Charles City – January 1, 2017, through December 31, 2017*
Charlotte – January 1, 2017, through March 31, 2018
Clarke – January 1, 2017, through December 31, 2017*
Cumberland – January 1, 2017, through December 31, 2017
Cumberland (Turnover) as of April 30, 2018
Floyd – January 1, 2017, through December 31, 2017*
Giles – April 1, 2017, through March 31, 2018*

Greensville/City of Emporia – April 1, 2017, through March 31, 2017
 Hanover – October 1, 2016, through December 31, 2017
 Isle of Wight – April 1, 2017, through March 31, 2018
 King George – July 1, 2016, through December 31, 2017*
 Middlesex – April 1, 2016, through December 31, 2017*
 Page – January 1, 2017, through December 31, 2017*
 Pulaski – January 1, 2017, through December 31, 2017
 Russell – October 1, 2016, through March 31, 2018*
 Spotsylvania – April 1, 2016, through December 31, 2017
 Surry – January 1, 2017, through December 31, 2017
 Wythe – October 1, 2016, through December 31, 2017
 Wythe as of March 30, 2018❖
 York / Poquoson City – January 1, 2017, through December 31, 2017

General District Courts (as of July 1, 2016, through June 30, 2017)

Cities:

Alexandria*	Fairfax
Charlottesville*	Petersburg
Chesapeake*	Richmond (Manchester)

Counties:

Appomattox	Clarke	Henrico	Middlesex*
Bedford	Fauquier*	Lancaster	Prince William*
Caroline	Franklin	Louisa	Westmoreland
Charlotte	Hanover*	Mathews*	York

Combined District Courts (as of July 1, 2016, through June 30, 2017)

Cities:

Falls Church*

Counties:

Alleghany	Lunenburg
Bath*	Orange
Botetourt	Powhatan
Essex	Prince Edward*
Goochland*	Richmond

Juvenile and Domestic Relations Courts (as of July 1, 2016, through June 30, 2017)

Cities:

Alexandria	Newport News
Chesapeake: July 1, 2016 - June 30, 2017; and a limited review through March 31, 2018 *	Richmond*
Danville*	Virginia Beach*
Hanover	

Counties:

Appomattox*	Loudoun*
Bedford*	Louisa
Campbell*	Prince William*
Fairfax	Stafford
Fauquier*	Tazewell
Halifax	Westmoreland
King William	

Magistrates (July 1, 2016, through June 30, 2017)

District 1: City of Chesapeake

District 13: City of Richmond

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

District 31: County of Prince William

*Denotes management control finding

❖ Denotes turnovers