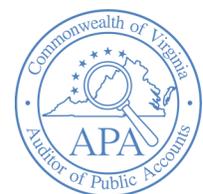




JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION

QUARTERLY REPORT SUMMARY APRIL 1, 2019 THROUGH JUNE 30, 2019

Auditor of Public Accounts
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QUARTERLY REPORT SUMMARY - APRIL 1, 2019, TO JUNE 30, 2019

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, 2019, to June 30, 2019. 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

2018 Internal Control Questionnaire Results

Our 2018 Internal Control Questionnaire Results communicates the overall results of the reviews of internal controls performed primarily during 2018 and highlights the common deficiencies identified across agencies reviewed. The scope of our review included 12 agencies; however, due to the significant issues noted from the review of the Department of Fire Programs, a separate report was issued for this agency. The results of the review of the Department of Fire Programs are excluded from this report. Of the remaining 11 agencies included in our review, we issued recommendations for improvements in internal controls to ten agencies. The main areas with recommendations were policies and procedures, information security, Agency Risk Management and Internal Control Standards, and payroll/human resources. Access the [Full Report](#) on our website.

Cycled Agency Procurement Review

The Cycled Agency Procurement Review, which covers fiscal year 2017, was performed based on the APA's new approach to auditing cycled agencies. The report details the results of our audit of procurement operations at eleven cycled agencies and limited procedures performed over the pool of cycled agencies. The report found matters involving internal control and compliance necessary to bring to management's attention in the following areas: compliance with the Prompt Pay Act, accuracy of goods and service receipt date, control procedures and management process, competitive procurement requirements, contractual scope of work, disallowed charge card program, small purchase charge card operations, and third party service provider controls. We found that agencies were processing contractual payments effectively and accurately, in all material respects. Access the on [Full Report](#) our website.

Higher Education Institution Reports

During the quarter, we completed audits of eight of the 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 eight of the audits addressing various issues that we summarize by higher education institution in the table on the following page.

Control / Compliance Area	CNU	GMU	JMU	ODU	RBC*	RU	CWM	UMW	VMI
Capital Assets					1**				1
Employment Eligibility Verification					1			1	
Federal Student Financial Aid		2	4	2	2	1			
Financial Reporting					1**				
Implementation of Board Approved Meal Plan Rates		1							
Information System Security	2	2			3	1		2	
Oversight of Third-Party Service Providers					1		1		
Prepaid Expense Justification				1					
Reconciliation					1				
Statement of Economic Interest Requirements		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.

Local Government Activities

Fiscal Distress Monitoring

As noted in the previous quarter, the financial and qualitative analyses that we performed as part of the Office's annual fiscal distress monitoring identified 14 localities for our additional follow up process during 2018: four cities, four counties, and six towns. As we concluded our follow up review process during this quarter, we held discussions with local representatives from three other localities. We obtained further understanding of various external factors unique to each locality and the plans they have in place to continue to move forward and improve their financial position.

Based on our final reviews and follow up process with these three localities, in addition to the eight localities we reviewed during the prior quarter, we concluded that these 11 localities do not appear to be in a situation of fiscal distress that would warrant assistance or intervention from the Commonwealth. For the three remaining localities, the Office has deferred the follow up process until a later time this year. Officials for these three localities have responded to our initial inquiries and conveyed their desire to participate in our process; however, various factors have currently delayed the localities' completion of their financial assessment questionnaires. Additionally, during June 2019, we drafted our second annual comprehensive report for the local fiscal distress process. This report provides information on the refinements we made during 2018 to improve and enhance the early warning monitoring system, along with reporting the results of our reviews performed with the specific

localities identified as part of our analysis this past year. Our Office will formally issue this report next quarter in July 2019.

Comparative Report

During the quarter, we posted to our website the final version of the [Comparative Report of Local Government Revenues and Expenditures for the fiscal year ended June 30, 2018](#). This report represents the localities' transmittal data submissions, along with their fiscal year 2018 audited financial reports, that our Office received and reviewed as of May 6, 2019. During our report preparation process, we perform analytical procedures to review the data by comparing to the locality's audited annual financial report and the Office's uniform financial reporting guidelines to ensure the reliability of the data in our report. Twenty-five localities did not submit their Comparative Report data to our office by the November 30th statutory deadline. Additionally, 74 localities did not timely submit their fiscal year 2018 audited financial report to our Office by the statutory deadline. The localities untimely submission of their transmittal data and audited financial reports continues to affect the completion of our analytical review process over the data and further delays the final issuance of this report. Footnote three to the report contains a list of localities that submitted late transmittal data and audited financial reports, and shows those localities that have had ongoing delays sending in the information.

At the time of our final report issuance in May 2019, this Cities of Hopewell, Norton, and Petersburg, and the Counties of Clarke, Russell, and Warren did not provide their auditors financial information in sufficient time to meet the statutory deadline for auditing their annual financial statements and submitting the comparative report data. Accordingly, we have not included these six localities in this final report. Our Office has since received the audited financial reports and transmittal data for the City of Norton and the Counties of Clarke and Russell. We will include the data for all six localities in an amended version of the fiscal year 2018 report once we receive the required information.

Audit Specifications Workgroup

During the quarter, our Office commenced a special project focused on performing a comprehensive review over the audit guidelines, or specifications, that we establish for the auditing firms to follow during the annual audits of cities, counties, and towns, along with the audits of local authorities, boards, commissions, and other political subdivisions. Specifically, our Office hosted a workgroup meeting with a selection of the local CPA firms that perform a large representation of Virginia local government audits to discuss the audit requirements and determine where we can best improve audit efficiencies in meeting the overall objectives of the specifications. Specifically, we discussed how the firms approach the specifications through use of auditing best practices, materiality scopes, sampling methodologies, and professional judgment. We also discussed recommendations from the firms on where we can clarify guidance and revise certain audit procedures to better align with more current processes and procedures of the localities' internal control environments.

The Office has been able to incorporate several of these recommendations in updates to the audit specifications that we are currently finalizing in order to publish next quarter as the firms begin the locality audits for fiscal year 2019. Additionally, we will consider other significant updates discussed with

the CPA firms as part of next year’s fiscal year 2020 audit specifications. This will allow our Office sufficient time to contemplate the impact of the changes and coordinate any further discussions with applicable state agencies to adequately consider the agencies’ expectations and reliance on the audit procedures as part of state monitoring and compliance requirements.

Other Activities

Outreach to CPA Firms

In June, we issued two newsletters to communicate pertinent information to CPA firms that are currently engaged to audit localities, along with certain authorities, boards, commissions, and agencies within the Commonwealth of Virginia. The newsletters include a high-level background about our Office’s mission and annual audit responsibilities, along with the oversight and assistance we provide to localities and other governmental entities. The newsletters also include key information specific to the Office’s annual Quality Control Review (QCR) process, common findings from the QCR process, deficiencies found during our review of audited financial statements, reminders for the local governments’ annual audits and financial reports, and items of interest for the fiscal year 2019 Commonwealth of Virginia financial statement audit. Both newsletters are accessible on our website at the following links: [Newsletter for Firms Performing Audits of Commonwealth of Virginia Entities](#) and [Newsletter for Firms Performing Audits of Localities within the Commonwealth](#).

Top Workplace Special Recognition



In May, in an article in the [Richmond Times Dispatch](#), the Auditor of Public Accountants (APA) received special recognition in the “Work/life flexibility” category as part of the Top Workplaces program sponsored by the Richmond Times-Dispatch and Workplace Dynamics. This recognition was in addition to being recognized in March as one of Richmond’s Top 65 Workplaces for the fifth consecutive year.

Monitoring Accounting and Auditing Standards

During the quarter, our Office reviewed a document issued for comment by the standard setting entity that governs 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 is the document that we reviewed and provided a response to the applicable standard setting entity during this quarter.

Standard Setting Entity	Document Reviewed
GASB	Exposure Draft: <i>Proposed Implementation Guide - Leases</i>

GASB Governmental Accounting Standards Board

In addition, our Office provided feedback on multiple documents related to proposed changes related to the Single Audit process including commenting on multiple versions of the Office of Management and Budget’s (OMB) draft 2019 Compliance Supplement and the Federal Audit Clearinghouse’s (FAC) new automated Schedule of Expenditures of Federal Awards. We also beta tested the new Data Collection Form and provided feedback to the FAC. Finally, we worked with the American Institute of Certified Public Accountants on modifications to the standard language provided to auditors related to their opinion on compliance for the Single Audit that were necessitated due to proposed changes by OMB to the Compliance Supplement.

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 May, 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.

State Groups

Group	Presentation / Training Topic
College and University Auditors in Virginia (CUAV)	Provided updates on common findings from the prior fiscal year, legislative impacts from the 2019 General Assembly session, the APA's higher education comparative report, and federal changes that will impact the APA's audits of federal funds at higher education institutions in future fiscal years.
Fiscal Officers of Colleges and Universities – State Supported (FOCUS)	Presented information on enrollment reporting for Student Financial Aid including multiple aspects of reporting requirements, the APA's approach to evaluating accuracy and timeliness of reporting, common enrollment reporting errors found at institutions, and suggestions for implementing an effective quality control review. Also, participated in an open question and answer forum.
Joint Legislative Audit and Review Commission	Gave an overview of the APA's work plan for the upcoming fiscal year and provided information on the results of our audits from the prior year.
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 cycled agency and internal control questionnaire approach; various miscellaneous updates and upcoming projects impacting state agencies and higher education; update on the successful implementation of other post-employment benefits standards; and reminder of the upcoming implementation of the new lease standard.

Other Groups

Group	Presentation / Training Topic
American Institute of Certified Public Accountants' Government Audit Quality Center Webinar	Presented information at national webinar on the new Data Collection Form for the Single Audit of federal funds.
Arkansas Society of Certified Public Accountants Annual Accounting and Auditing Conference	Presented information on how the APA uses Big Data and provided an update on the Single Audit process.

Local Groups

Group	Presentation / Training Topic
<p>Cherry Bekaert’s Annual Government Seminars (Richmond, Newport News, and Virginia Beach)</p> <p>State and Local Government Seminar sponsored by KPMG</p> <p>Virginia Government Finance Officers’ Association Spring Conference</p>	<p>Provided an update on various local government topics including reminders on important fiscal year 2019 audit and reporting requirements for areas specific to the Office’s Audit Specifications, the Uniform Financial Reporting Manual, and the comparative report transmittal process; significant changes resulting from the 2019 legislative session that affect local governments’ financial reporting; an overview and recent results of the Office’s quality control reviews over firms auditing Virginia’s local governments; updates on the Office’s local fiscal distress monitoring process focused on the enhancements made to our analyses during 2018; and the status of our second year follow up reviews with localities.</p>
<p>Sustainable Government Workgroup (organized by Michigan State University’s Center for Local Government Finance and Policy)</p>	<p>Presented, along with officials from the City of Bristol, Virginia, an update on the Commonwealth’s recently implemented local fiscal distress monitoring process. Provided an overview about our direct involvement and responsibilities for the annual monitoring process including our financial ratio and qualitative analyses and how the process proceeds if a locality is identified as being in a situation of fiscal distress that may warrant Commonwealth assistance or intervention. To complement our Office’s discussion of the City of Bristol being the only identified locality to date where we recommended Commonwealth assistance as a result of this process, the Bristol City Manager and Chief Financial Officer joined our presentation to give an overview of the type of technical assistance the city has received from the Commonwealth, the outcomes the city has achieved to date, and current initiatives the city is working on to move forward out of fiscal distress.</p>
<p>Treasurer’s Association of Virginia Annual Conference</p>	<p>Presented information on being prepared for the annual state audit, common audit findings from prior audits, examples of good internal controls, important annual deadlines, and the fraud triangle.</p>

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 sessions on listening skills, information security awareness, legislative activities during the 2019 session, and our Higher Education Comparative Report, which was issued during the prior year.



SUMMARY OF REPORTS ISSUED

The following reports were released by this Office or its contracted firms during the period April 1, 2019, to June 30, 2019. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

State Agencies and Institutions

Independent and Other Agencies

Commonwealth Health Research Board for the period July 1, 2016, through June 30, 2018

Judicial Branch

Judicial Branch – Audit of Select Business Cycles – for the year ended June 30, 2018*

Executive Departments

Agriculture and Forestry

Virginia Department of Agriculture and Consumer Services Internal Control Questionnaire Review Results as of July 2018*

Colleges and Universities

Christopher Newport University for the year ended June 30, 2018*

George Mason University for the year ended June 30, 2018*

James Madison University for the year ended June 30, 2018*

Old Dominion University for the year ended June 30, 2018*

Radford University for the year ended June 30, 2018*

Richard Bland College Review Report for the year ended June 30, 2018

The College of William and Mary in Virginia, Virginia Institute of Marine Science, and Richard Bland College for the year ended June 30, 2018*

University of Mary Washington for the year ended June 30, 2018*

Virginia Military Institute for the year ended June 30, 2018*

Natural Resources

Department of Historic Resources Internal Control Questionnaire Review Results as of April 2019*

Special Reports

2018 Internal Control Questionnaire Results for the period January 1, 2018, through December 31, 2018*
Cycled Agency Procurement Review – Fiscal Year 2017*
Report to the Joint Legislative Audit and Review Commission for the quarter January 1, 2019, through March 31, 2019

Clerks of the Circuit Courts

Cities:

Bristol – April 1, 2018, through March 31, 2019
Newport News – January 1, 2018, through December 31, 2018
Radford – April 1, 2018, through March 31, 2019
Roanoke – April 1, 2018, through March 31, 2019
Williamsburg/James City County – April 1, 2018, through March 31, 2019

Counties:

Albemarle – April 1, 2018, through March 31, 2019
Alleghany – January 1, 2018, through December 31, 2018
Amelia – October 1, 2017, through September 30, 2018
Augusta – October 1, 2017, through March 31, 2019
Augusta as of March 31, 2019 ❖
Bedford – April 1, 2017, through December 31, 2018
Carroll – April 1, 2018, through March 31, 2019
Charles City – January 1, 2018, through December 31, 2018*
Charlotte – April 1, 2018, through March 31, 2019
Culpeper – July 1, 2017, through March 31, 2019*
Cumberland – January 1, 2018, through March 31, 2019
Dickenson – April 1, 2018, through March 31, 2019
Floyd – January 1, 2018, through December 31, 2018
Franklin – April 1, 2017, through March 31, 2019*
Grayson – April 1, 2018, through March 31, 2019
Greene – October 1, 2017, through March 31, 2019*
Greene as of May 31, 2019 ❖
King William – April 1, 2017, through December 31, 2018*
Mathews – April 1, 2018, through March 31, 2019
Mecklenburg – October 1, 2017, through December 31, 2018
New Kent – January 1, 2018, through December 31, 2018*
Northampton – April 1, 2017, through December 31, 2018*
Orange – January 1, 2018, through March 31, 2019

Pittsylvania – April 1, 2017, through December 31, 2018*
 Prince Edward – January 1, 2018, through March 31, 2019
 Prince William – January 1, 2017, through June 30, 2018*
 Rappahannock – October 1, 2017, through December 31, 2018*
 Roanoke – April 1, 2018, through March 31, 2019*
 Russell – April 1, 2018, through March 31, 2019
 Spotsylvania – January 1, 2018, through December 31, 2018
 Surry – January 1, 2018, through December 31, 2018
 Sussex – January 1, 2018, through December 31, 2018*
 Washington – April 1, 2018, through March 31, 2019

Combined District Courts (July 1, 2017, through June 30, 2018)

Cities:

Buena Vista*	Falls Church*
Danville	Salem

Counties:

Botetourt*	Rappahannock
Goochland	

General District (July 1, 2017, through June 30, 2018)

Cities:

Charlottesville*	Newport News	Roanoke*
Fairfax	Norfolk	Virginia Beach
Lynchburg*	Richmond (John Marshall Criminal – Traffic)*	Williamsburg/James City County

Counties:

Albemarle*	Mecklenburg
Campbell	Orange*
Caroline*	Prince William*
Clarke	Rockbridge*
Fairfax*	Shenandoah
Fauquier*	Stafford*
Loudoun*	Westmoreland

Juvenile and Domestic Relations Courts (July 1, 2017, through June 30, 2018)

Cities:

Charlottesville	Norfolk
Chesapeake – July 1, 2017, through June 30, 2018; limited review through December 31, 2018*	Virginia Beach
Danville*	Williamsburg/James City County*
Hampton*	

Counties:

Albemarle*	Henrico*
Bedford*	Middlesex
Campbell*	Pittsylvania*
Culpeper*	Rockbridge
Fauquier*	Shenandoah
Franklin*	Warren
Hanover*	Westmoreland*

Magistrates (July 1, 2017, through June 30, 2018)

District 07 - City of Newport News
District 08 - City of Hampton
District 10 - Counties of Appomattox, Buckingham, Charlotte, Cumberland, Halifax, Lunenburg,
Mecklenburg and Prince Edward
District 13 - City of Richmond
District 14 - County of Henrico
District 19 - County of Fairfax
District 20 - Counties of Fauquier and Loudoun
District 22 - City of Danville; Counties of Franklin and Pittsylvania*
District 23 - Cities of Roanoke and Salem; County of Roanoke
District 25 - Cities of Buena Vista, Staunton, and Waynesboro; Counties of Alleghany, Augusta, Bath,
Botetourt, Craig, Highland and Rockbridge
District 31 - County of Prince William*

*Denotes includes internal control and/or compliance finding

❖ Denotes Turnover Report