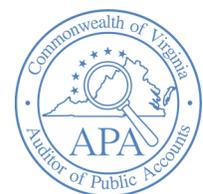




JOINT LEGISLATIVE AUDIT
AND
REVIEW COMMISSION

QUARTERLY REPORT SUMMARY
APRIL 1, 2020 THROUGH JUNE 30, 2020

Auditor of Public Accounts
Martha S. Mavredes, CPA
www.apa.virginia.gov
(804) 225-3350



QUARTERLY REPORT SUMMARY - APRIL 1, 2020, TO JUNE 30, 2020

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, 2020, to June 30, 2020. 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

2019 Internal Control Questionnaire Results

Our 2019 Internal Control Questionnaire Results report communicates the overall results of the reviews of internal controls performed primarily during 2019 and highlights the common deficiencies identified across agencies reviewed. The scope of our review included 15 agencies; however, due to the significant issues noted from the review of the Virginia Commission for the Arts, a separate report was issued for this agency. The results of the review of the Virginia Commission for the Arts are excluded from this report. Of the remaining 14 agencies included in our review, we issued recommendations for improvements in internal controls to 13 agencies. The areas with the most recommendations were information security and policies and procedures. Access the [Full Report](#) on our website.

Higher Education Institution Reports

During the quarter, we completed audits of seven 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 three of the audits addressing various issues that we summarize by higher education institution below. We also issued a review report for Richard Bland College as required for their reaccreditation process.

Control / Compliance Area	CNU	GMU	RBC*	CWM
Federal Cash Management			1	
Information System Security	4	1		1
Oversight of Third-Party Service Providers		1	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.

Local Government Activities

Reports

Monitoring for Local Government Fiscal Distress – 2019 Report

This report describes the results from the legislation directing the Auditor of Public Accounts to establish an early warning system to monitor fiscal distress at Virginia’s local governments. This report provides a summary of the analysis and results for the prior year 2017 and 2018 annual monitoring process, along with the results of the Office’s most recently completed 2019 process. For the 2019 monitoring process, we completed our review of the ratio analysis based on data from the fiscal year 2018 financial reports for the cities, counties, and towns required to have an audit and annually report to our Office. Based on the results of our 2019 analysis, the Office did not designate any new locality as needing further follow-up with our review and questionnaire process and did not identify any locality as being in a situation of fiscal distress. Access the [Full Report](#) on our website

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, 2019](#). This report includes the fiscal year 2019 revenue and expenditure data that our Office has received and reviewed as of May 1, 2020, for all cities and counties, and required towns having a population over 3,500 or a separate school system.

During our report preparation process, we perform analytical procedures to review the data by comparing to the locality’s audited annual financial report and our uniform financial reporting guidelines to ensure reliability of the data. Twenty-five localities did not timely submit their 2019 Comparative Report data to our office by the November 30th statutory deadline. Additionally, 58 localities did not timely submit their fiscal year 2019 audited financial report to our Office by the statutory deadline. This untimely submission of the transmittal data and audited financial reports continues to impact the completion of our analytical review process over the data and further delays the final issuance of this report. Footnote three to the report lists the localities that submitted late transmittal data and audited financial reports and provides detail for those localities that have had ongoing delays sending in the information.

As of the time of our report issuance in May 2020, the Cities of Hopewell, Norton, and Petersburg, and the Counties of Lee, Prince Edward, and Wise did not provide their auditors financial information in sufficient time to meet the statutory deadline for auditing their fiscal year 2019 financial statements or submitting their comparative report data. Accordingly, we have not included these six localities in this final report. We will issue an amended version of this report at a later date this year once these delinquent localities submit their fiscal year 2019 transmittal data and audited financial reports.

Other Activities

National Government Fiscal Sustainability Workgroup Meetings for Fiscal Distress Monitoring

During the quarter, our Office participated in two virtual meetings as part of a national Government Fiscal Sustainability Workgroup hosted by the [Michigan State University Extension Center for Local Government Finance and Policy](#) (Workgroup). The first meeting was hosted on April 3, 2020, and our Office listened to other states share ideas on how they were initially addressing the fiscal impacts of the COVID-19 pandemic on their state and local governments. After this meeting, the Office shared correspondence with certain legislative members and the Deputy Secretary of Finance, as these individuals were directly involved with our Office during the implementation of Virginia's local government fiscal distress monitoring process. Our correspondence provided suggestions of some key ideas that other states were implementing that Virginia's administration could potentially consider for providing non-financial assistance to our local governments during the pandemic. Some of the ideas discussed by other states relate to the following areas: implementing executive orders that allow the local governing bodies to meet remotely; relaxing the timely deposit requirements due to the reduced staffing levels; providing relief by extending the statutory imposed financial reporting deadline; allowing localities to defer loan payments owed to state loan programs; and the state revenue agency providing additional breakdown and more timely information of sales tax revenues to assist localities in performing a more refined revenue reforecast.

In addition, our Office attended another virtual Workgroup meeting on May 20, 2020, to consult and learn from participating states on how each state was further addressing the fiscal impact of the pandemic on both the state and local level. As part of this meeting, our Office provided a brief presentation to give an update on Virginia's early warning system and our current monitoring process. We shared ideas on some of the current financial ratios in our early warning system that we plan to review closely as we start to monitor for any financial impact of the COVID-19 pandemic on future fiscal year financial information, along with our thoughts on how we may develop other, useful qualitative factors to consider for upcoming annual monitoring analyses. We also shared with the Workgroup members information about Virginia's response to assist its local governments by allocating a portion of the Commonwealth's share of the CARES Act funding, as detailed in the Secretary of Finance's plan that distributed approximately \$645 million of the federal Coronavirus Relief Funds to Virginia's counties and cities on June 1, 2020.

Other Activities

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 are the documents 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>Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans</i>
GASB	Exposure Draft: <i>Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to the Financial Statements</i>
GASB	Exposure Draft: <i>Postponement of the Effective Dates of Certain Authoritative Guidance</i>
GASB	Proposed Technical Bulletin: <i>Accounting and Financial Reporting Issued Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of 2020 and Coronavirus Diseases</i>

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. 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) Annual Conference	Provided updates on the known impact of COVID-19 on audits in progress, delayed implementation of upcoming accounting standards due to COVID-19 along with a discussion of delayed standards to be implemented early by the Commonwealth, and auditing considerations in the current environment. Also, discussed CARES Act funding, the allocation of funds by institution, and the potential impact of 2020 expenses on CARES Act funding on the 2020 Single Audit of federal funds.

Other Groups

Group	Presentation / Training Topic
American Institute of Certified Public Accountants' Government Audit Quality Center Webinar	Presented information at national webinar on commonly asked questions related to Government Auditing Standards issued by the Comptroller General of the United States.

SUMMARY OF REPORTS ISSUED

The following reports were released by this Office or its contracted firms during the period April 1, 2020, to June 30, 2020. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

State Agencies and Institutions

Colleges and Universities

Christopher Newport University for the year ended June 30, 2019*
George Mason University for the year ended June 30, 2019*
James Madison University for the year ended June 30, 2019
Old Dominion University for the year ended June 30, 2019
Radford University for the year ended June 30, 2019
Richard Bland College Review Report for the year ended June 30, 2019
The College of William and Mary in Virginia for the year ended June 30, 2019*
University of Mary Washington for the year ended June 30, 2019

Public Safety and Homeland Security

Department of Juvenile Justice Internal Control Questionnaire Review Results as of April 2019*

Special Reports

2019 Internal Control Questionnaire Results for the period January 1, 2019, through December 31, 2019*
Final Comparative Report of Local Government Revenue and Expenditures for the fiscal year ended June 30, 2019
Local Government Fiscal Distress Monitoring as of April 30, 2020*

Clerks of the Circuit Courts

Cities:

Bristol – April 1, 2019 through March 31, 2020
Chesapeake – April 1, 2018, through December 31, 2019*

Counties:

Alleghany – January 1, 2019, through March 31, 2020
Appomattox – April 1, 2019, through March 31, 2020
Bedford – January 1, 2019, through March 31, 2020*
Buckingham – December 1, 2018, through December 31, 2019
Carroll – April 1, 2019, through March 31, 2020*
Charlotte – April 1, 2019, through March 31, 2020
Clarke as of March 31, 2020❖
Cumberland – April 1, 2019, through March 31, 2020

Clerks of the Circuit Courts (continued)

Counties:

Dickenson – April 1, 2019, through March 31, 2020
Fluvanna – October 1, 2018, through December 31, 2019
Gloucester – April 1, 2018, through December 31, 2019*
Loudoun – April 1, 2019, through March 31, 2020
Madison – April 1, 2019, through March 31, 2020
Mecklenburg – January 1, 2019, through March 31, 2020
Northampton – January 1, 2018, through December 31, 2019
Pittsylvania – January 1, 2019, through March 31, 2020*
Rappahannock – January 1, 2019, through December 31, 2019
Russell – April 1, 2019, through March 31, 2020

Combined District Court (July 1, 2018, through June 30, 2019)

Cities:

Fairfax	Hopewell	Virginia Beach
Falls Church	Richmond (Marshall Criminal-Traffic at Manchester)	

Counties:

Bath	Rappahannock
Botetourt*	

General District Court (July 1, 2018, through June 30, 2019)

Cities:

Martinsville	Richmond (Civil Division)
Newport News	Williamsburg/James City County

Counties:

Clarke*	King and Queen	Pittsylvania
Fairfax	King William	Rockbridge*
Franklin	Madison	York
Hanover*	New Kent	
Henry	Northumberland	

Juvenile and Domestic Relations Court (July 1, 2018, through June 30, 2019)

Cities:

Danville*	Newport News
Martinsville	Richmond

Counties:

Arlington*	Gloucester	Northumberland
Culpeper	Mathews	Pittsylvania*
Fairfax*	Middlesex	Rockbridge
Fauquier	Montgomery	Stafford
Franklin*	New Kent	

Magistrates (July 1, 2018, through June 30, 2019)

- District 9: City of Williamsburg, Counties of Charles City, Gloucester, James City, King and Queen, King William, Mathews, Middlesex, New Kent, and York
- District 19: County of Fairfax
- 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 27: Cities of Galax and Radford; Counties of Carroll, Floyd, Giles, Grayson, Montgomery and Pulaski

*Denotes includes internal control and/or compliance finding

❖ Denotes turnover report