



Quarterly Report Summary

July 1, 2009 to September 30, 2009

Review of Budget Transparency

The Governor and the General Assembly need to develop and define the concept of budget transparency. Current budget documents are necessary, but their modification will not assist in achieving budget transparency. The General Assembly and Governor may need to find a new mechanism for reporting the outcome of Budget deliberations. (pages 1-2)

Review of Data Collection Process over Institutional Performance Standards

Universities are properly reporting their Institutional Performance Standards to the State Council on Higher Education of Virginia. We found some areas to improve the reporting of the data. (page 2)

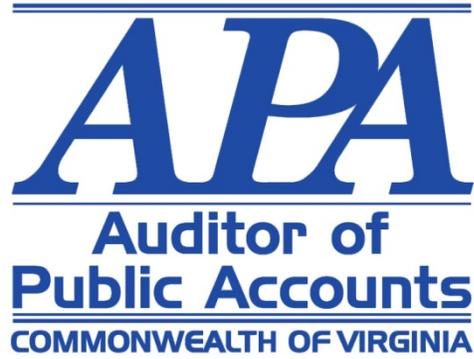
Commonwealth of Virginia Court Operations

This is our second comprehensive financial overview of the Circuit and District Courts, both statewide as well as by locality. (page 3)

City of Waynesboro Treasurer

The Treasurer continues to not maintain sufficient internal control over state funds or comply with state laws and regulations. Not having these internal controls demonstrates a lack of accountability, and increases inefficiency when serving the public. (pages 3-5)

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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Review of Budget Transparency

Despite recent transparency legislation and initiatives, Virginia falls short of achieving budget transparency. Transparency is a key term in government today as citizens become increasingly interested in how their tax dollars are spent and the resulting benefits. Because the budget is a government's primary tool for setting priorities and allocating resources, the concept of a transparent budget is significant. A transparent budget process is clear, visible, and understandable to any citizen with an interest in the information. In addition, budget transparency can increase public confidence in government and promote fiscal responsibility.

In this report, we build on our previous reports and those of JLARC by evaluating the transparency of the budget information in three significant documents in the Commonwealth's budgeting and financial reporting processes. Those documents are the Executive Budget Document, the Appropriation Act, and the Comprehensive Annual Financial Report (CAFR).

Each document satisfies various statutes, but none achieves budget transparency. Of these three documents, the Executive Budget Document comes the closest to providing transparent information on the Commonwealth's budget; however, it is only relevant for a short time. Citizens cannot easily understand either the Appropriation Act or the CAFR without some technical training and government experience.

In promoting transparency, the Governor and General Assembly should consider exactly what they wish to achieve with an understanding of what level of transparency is actually attainable at this level of government. Given the structure of Virginia's government, currently available resources, and existing statutory regulations, the Commonwealth may need to rethink its approach if it hopes to make transparency a reality for the citizens. We offer the following considerations for the Governor and the General Assembly in regard to budget transparency:

1. Budget transparency means different things to different people. In promoting transparency, the Governor and General Assembly should consider what they are trying to achieve. It is important to remember that making more data available does not necessarily improve transparency unless the citizens can translate the data into useful information.
2. Most of the information currently generated during the budget process was not designed to achieve transparency. Several of the current key documents satisfy statutory and other requirements and do not purport to provide transparency into government operations.
3. The Commonwealth's operational size and complexity does impact how much transparency is easily achievable, since operations include multiple agencies and programs with complex funding sources. Smaller governments can more easily achieve a greater level of transparency by not only having a simpler structure, but also not requiring a greater degree of specialized knowledge to understand the information.

4. The lack of enterprise-wide financial management systems also hampers our ability to provide transparent information. As a result, we have multiple websites with information on different aspects of government operations, some of which duplicate each other, but none of which a user can easily relate to another.
5. The current government accounting and financial standard-setting bodies emphasize uniformity in reporting while neglecting to stress the importance of clear, understandable fiscal information.

Review of Data Collection Process over Institutional Performance Standards

The Restructured Higher Education Financial and Administrative Operations Act (Restructuring Act) gave state-supported colleges and universities greater autonomy over their daily operations in exchange for meeting established educational and management goals set by the Governor and the General Assembly in the areas of access, affordability, and student progress and success. The Restructuring Act required the establishment of a standard set of performance measures for each goal that applies to all universities. The individual performance measures include academic, financial, and administrative measures, known as the Institutional Performance Standards. The State Council of Higher Education for Virginia (SCHEV) oversees the process to collect and report the institutional performance standards, including certifying performance measure results by June 1 of each year.

Overall, we found that the data collection procedures over academic performance measure data reported by the universities to SCHEV were adequate to ensure accuracy and reliability for certification purposes. The majority of the universities followed some, if not all, of the best practices we identified; however, we found several areas for improvement common to many of the universities. While these recommendations are not applicable to all of the universities, these concerns were broad enough to warrant overall recommendations to improve the processes.

We found that most of the universities did not have documented policies and procedures over data collection and reporting to SCHEV. We also found that several universities were heavily reliant on one or two individuals to perform the majority of the tasks associated with SCHEV data reporting. We recommended that universities document policies and procedures related to SCHEV reporting and that employees be cross-trained on the various processes to ensure that information is developed and reported consistently each year.

We also found that SCHEV's procedures were adequate to ensure the accuracy and reliability of the information used to calculate the results of the academic performance measures. Generally, universities considered their experiences with SCHEV staff to be satisfactory, and that SCHEV staff were responsive to their concerns during the submission process. To improve the process, we recommended SCHEV enhance the SCHEV website to make this information easier to find and understand for the public and to continue implementation of the certification subcommittee and related processes.

Commonwealth of Virginia Court Operations
for the fiscal year ended June 30, 2008

This report provides a comprehensive overview of the fiscal operations of the Commonwealth's Circuit and District Courts. We have compiled this information from various sources to show both the courts' collections and their general operating expenses.

Both the Circuit and District Courts collect fines, fees, and costs for the adjudication of cases which come before the courts. In addition, the Circuit Courts record and maintain numerous official documents and, in connection with these duties, collect fees, taxes, and other funds for deposit in both the Commonwealth's and locality's treasuries. The Courts also hold funds for others and amounts pending the adjudication of cases; this report does not include these amounts.

In last year's report, we made three recommendations for consideration by the General Assembly. We have repeated those recommendations in this report since the Joint Legislative Audit and Review Commission has not issued its report. The recommendations concerned the following:

1. The Compensation Board's allocation of excess fees;
2. Whether Clerks of the Circuit Court should continue to earn commissions; and
3. Whether district courts should deposit their state and local collections directly into the appropriate treasury.

The General Assembly has incorporated all three recommendations into the Joint Legislative Audit and Review Commission's review of funding for District and Circuit Courts and courthouse construction, operation, and maintenance.

During this year's review, we are making the following recommendation:

The Office of the Executive Secretary, Supreme Court of Virginia, should develop automated reports to monitor compliance with guidance currently provided to ensure consistent accounting and reporting of all transactions affecting both Circuit and District Court operations across the Commonwealth.

City of Waynesboro Audit of Commonwealth Collections and Remittances
for the year ended June 30, 2009

We have reviewed the Commonwealth collections and remittances of the Treasurer, Commissioner of the Revenue, Sheriff, and Commonwealth's Attorney of the locality indicated for the year ended June 30, 2009. Our primary objectives were to determine that the officials have maintained accountability over Commonwealth collections, established internal controls, and complied with state laws and regulations.

The results of our tests found the Commissioner of the Revenue, Sheriff, and Commonwealth's Attorney complied, in all material respects, with state laws, regulations and other procedures relating to the receipt, disbursement, and custody of state funds.

CITY OF WAYNESBORO TREASURER

The Treasurer continues to not maintain sufficient internal control over state funds or comply with state laws and regulations as described below. These basic internal controls are the means for providing accurate and timely information to taxpayers, city financial decision makers, and other governments. Not having these internal controls demonstrates a lack of accountability, and increases inefficiency when serving the public.

We have issued essentially the same audit findings over the last four audits. Many of the findings below represent fundamental basic internal controls necessary to prevent accounting and posting errors, loss, misuse, or theft of funds entrusted to the Treasurer.

We strongly encourage the Treasurer to correct the findings below. Without correction, we believe that the Treasurer is at risk of accounting and other bookkeeping errors as well as the loss or theft of funds occurring and going undetected.

STRENGTHEN INTERNAL CONTROLS

The Treasurer's continued lack of an internal control system for her office and the improper use of the in-house accounting system are the base causes of the problems noted below. The Treasurer is not documenting penalty and interest in this system nor does the Treasurer generate reports to use in reconciling to the Commonwealth Accounting and Reporting System (CARS). Internal control is a process that provides reasonable, but not absolute, assurance to have reliable financial reporting, maintain effectiveness and efficiency of operations, and comply with applicable laws and regulations.

Specifically, we noted the following areas needing improvement:

- **Properly Secure Payments**

The Treasurer should lock up payments. If the Office receives payments but cannot immediately receipt them, then the Treasurer should lock up these items by placing them in a locking drawer. Staff should not leave these payments unattended on employee desks where they could be lost or stolen.

- **Perform Monthly Reconciliations**

The Treasurer did not reconcile state income tax assessments, collections and uncollected balances to CARS for the entire audit period as required by Code of Virginia Section 2.2-806A. The Treasurer and her staff have not received training and certification to use the Integrated Revenue Management System so that they can calculate uncollectable balances or penalty and interest.

The Treasurer has not corrected the un-reconciled balances of state taxes on CARS since 2004. The Treasurer did not provide a true uncollectible balance due to having marked three tax bills paid totaling \$123.25 when there were still amounts due. The Department of Accounts provides monthly reports to Treasurers for the purpose of ensuring the accuracy of the accounting records and making sure taxpayers receive credit for their payment. Failing to maintain records and perform monthly reconciliations is a significant internal control weakness which brings into question the reliability, effectiveness, and efficiency of the office.

- **Remit Fees Promptly**

Due to the Treasurer's inadequate recordkeeping and accounting practices, and lack of attention to detail, the auditors found numerous remittance errors. Specifically, we noted the following:

- Nine-month delay in remitting \$4,180.71 of Sheriff fees to the Commonwealth
- Six-month accumulation of Worker's Compensation Fees for \$108 not yet remitted to the Commonwealth
- Two months of Circuit Court sheriff fees totaling \$868.42 were remitted three days late

Section 2.2-806B of the Code of Virginia requires Treasurers to deposit fees weekly to the Commonwealth. Should collections exceed \$5,000 within the week, Treasurers should deposit fees at least twice each week.

The Treasurer should maintain proper records of all funds received and should reconcile these records to the assessments and collections recorded in CARS pursuant to Code of Virginia Section 58.1-3168 and the City accounting records as expected by sound accounting practices. The Treasurer should promptly deposit funds to the Commonwealth pursuant to Code of Virginia Section 2.2-806B. This process will ensure complete and accurate recording of local and state tax assessments and collections.

SUMMARY OF REPORTS ISSUED

The following reports on audit were released by this Office during the period July 1, 2009, to September 30, 2009. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

Independent Agencies

State Lottery Department “Mega Millions” Report on Applying Agreed-Upon Procedures for the period April 1, 2008 through March 31, 2009

State Lottery Department “Win For Life” Report on Applying Agreed-Upon Procedures for the period April 1, 2008 through March 31, 2009

Executive Departments

Office of the Governor for the fiscal year ended June 30, 2009

Office of the Lieutenant Governor for the fiscal year ended June 30, 2009

The Governor’s Cabinet Secretaries for the year ended June 30, 2009

Administration

Division of Selected Agency Support Services for the fiscal year ended June 30, 2009

Education

Virginia Commission of the Arts for the period July 1, 2007 through June 30, 2009

Virginia Community College System for the year ended June 30, 2008*

Technology

Virginia Information Technologies Agency for the year ended December 31, 2008*

Wireless E-911 Services Board for the year ended June 30, 2008

Special Reports

Auditor of Public Accounts—2009 Report to the General Assembly

Commonwealth of Virginia Court Operations for the year ended June 30, 2008*

Department of Medical Assistance Services—Vulnerability Assessment and Penetration Test as of June 2009*

Report to the Joint Legislative Audit and Review Commission for the quarter April 1, 2009 through June 30, 2009*

Review of Budget Transparency, June 2009*

Review of Data Collection Process Over Institutional Performance Standards – August 2009*

Clerks of the Circuit Courts

Cities:

City of Chesapeake - April 1, 2008 through March 31, 2009
City of Hampton - April 1, 2008 through March 31, 2009
City of Newport News - July 1, 2007 through March 31, 2009
City of Portsmouth - April 1, 2008 through June 30, 2009
City of Richmond - January 1, 2008 through March 31, 2009
City of Staunton – January 1, 2008 through June 30, 2009

Counties:

County of Accomack - April 1, 2008 through June 31, 2009
County of Amelia - April 1, 2008 through March 31, 2009
County of Amherst - April 1, 2008 through March 31, 2009
County of Appomattox - April 1, 2008 through June 30, 2009
County of Augusta - January 1, 2008 through March 31, 2009
County of Brunswick - April 1, 2008 through March 31, 2009
County of Buchanan - April 1, 2008 through June 30, 2009
County of Carroll - April 1, 2008 through June 30, 2009
County of Charlotte - April 1, 2008 through March 31, 2009
County of Chesterfield - April 1, 2008 through June 30, 2009
County of Essex - April 1, 2008 through June 30, 2009
County of Fauquier - October 2007 through March 2009
County of Greensville - April 1, 2008 through March 31, 2009
County of Henry - April 1, 2008 through March 31, 2009
County of James City / City of Williamsburg - April 1, 2008 through March 31, 2009
County of King William - April 1, 2008 through March 31, 2009
County of Loudoun – October 1, 2007 through March 31, 2009*
County of Mathews - April 1, 2008 through March 31, 2009
County of Montgomery - January 1, 2008 through March 31, 2009
County of Orange Turnover – as of June 30, 2009
County of Powhatan - April 1, 2008 through June 30, 2009
County of Rappahannock – January 1, 2008 through June 30, 2009
County of Roanoke - April 1, 2008 through June 30, 2009
County of Rockbridge - October 1, 2007 through March 31, 2009
County of Shenandoah – October 1, 2007 through March 31, 2009*
County of Smyth - April 1, 2008 through March 31, 2009
County of Spotsylvania - April 1, 2008 through March 31, 2009*
County of Stafford – January 1, 2008 through March 31, 2009
County of Warren - April 1, 2008 through March 31, 2009
County of Wise and City of Norton - April 1, 2008 through March 31, 2009
County of Wythe – April 1, 2008 through March 31, 2009*

State Accounts

Cities:

City of Bristol
City of Charlottesville
City of Covington
City of Franklin
City of Fredericksburg
City of Harrisonburg
City of Hopewell
City of Lexington
City of Lynchburg
City of Manassas Park
City of Martinsville
City of Newport News
City of Norton
City of Poquoson
City of Portsmouth
City of Radford
City of Roanoke
City of Waynesboro*
City of Williamsburg
City of Winchester

Counties:

County of Accomack
County of Alleghany
County of Amherst
County of Appomattox
County of Bath
County of Bedford
County of Bland
County of Botetourt
County of Brunswick
County of Buchanan
County of Buckingham
County of Carroll
County of Charlotte
County of Craig
County of Cumberland
County of Dickenson
County of Essex
County of Floyd
County of Fluvanna
County of Giles
County of Gloucester

County of Grayson
County of Halifax*
County of Hanover
County of Henry
County of Highland
County of Isle of Wight
County of James City
County of King & Queen
County of King George
County of King William
County of Louisa
County of Lunenburg
County of Mathews
County of Mecklenburg
County of Middlesex
County of Montgomery
County of Nelson
County of Northampton
County of Northumberland
County of Nottoway*
County of Orange
County of Patrick
County of Pittsylvania
County of Prince George
County of Prince William
County of Pulaski
County of Richmond
County of Roanoke
County of Russell
County of Scott
County of Shenandoah
County of Smyth
County of Suffolk
County of Tazewell
County of Warren
County of Washington
County of Westmoreland
County of Wise
County of Wythe
County of York

*Denotes management control finding