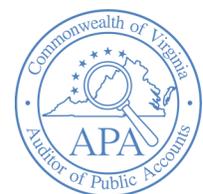




JOINT LEGISLATIVE AUDIT
AND
REVIEW COMMISSION

QUARTERLY REPORT SUMMARY
JULY 1, 2015 THROUGH SEPTEMBER 30, 2015

Auditor of Public Accounts
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QUARTERLY REPORT SUMMARY - JULY 1, 2015, TO SEPTEMBER 30, 2015

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 July 1, 2015, to September 30, 2015. 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

Special Review of Procurement of Commission 2.0 at the State Corporation Commission

We conducted a special review of procurement SCC-12-020-SCC, Commission 2.0, by the State Corporation Commission (SCC) at the request of the SCC to review allegations made by their Protesting Vendor. Our review did not find support for the allegations that would have materially affected the awarding of the contract. The only area of concern we noted related to the Awarded Vendors price; however, if the SCC had used the highest price provided by the Awarded Vendor and subtracted optional services from the Protesting Vendor's proposed price, it would not have changed the final ranking of the proposals or the subsequent intent to award the contract. The [Full Report](#) is available on our website.

Review of Agency Performance Measures

This report includes the results of our annual review of performance measures reported by the Department of Planning and Budget (Planning and Budget) on the Virginia Performs website, as required by the [Code of Virginia](#). We reviewed information on Virginia Performs for a sample of performance measures to determine if the results for fiscal year 2014 were accurate, reliable, and understandable. Performance measures results were accurate and reliable for 88 percent of the performance measures included in our review. There were certain understandability issues with some of the measures reviewed, but progress to enhance the usability of the information included on Virginia Performs has continued.

Planning and Budget reports over 900 performance measures on Virginia Performs, and the overall number of performance measures has decreased significantly since our previous review in 2012, primarily due to efforts overseen by Planning and Budget to evaluate the quality of the performance measures used by state agencies. During 2014, Planning and Budget oversaw an effort to reengineer the performance measures data collection system and worked with state agencies to streamline the performance measures collected and reported on Virginia Performs.

In 2014, the Governor's administration also developed an accountability tool to measure the performance of agency directors, and this tool will drive agencies' key performance measures for fiscal year 2015 and beyond. The administration's efforts were separate from Planning and Budget's initiatives and largely occurred without input from Planning and Budget. Because of the lack of

collaboration, Planning and Budget was forced to delay the release of their new performance measurement system, and some of the new key performance measures do not meet guidelines previously established by Planning and Budget. The [Full Report](#) is available on our website.

Agency Reports

[Disability Services Agencies](#)

Our audit of the [Disability Services Agencies](#) for the period July 1, 2011, through June 30, 2014, found the Department for Aging and Rehabilitative Services is making progress to improve its information technology governance structure; however, various weaknesses continue to exist. Aging and Rehabilitative Services is not maintaining appropriate oversight over its information security program, does not use some required controls to secure mission critical databases, does not have an adequate risk management process, and does not place the Information Security Officer in an effective organizational unit. In the area of personnel and payroll, Aging and Rehabilitative Services needs to document its policies, document approval for pay changes, ensure wage employees do not exceed 1,500 hours, remove Commonwealth Integrated Payroll/Personnel System (CIPPS) access promptly, and perform reconciliations between CIPPS and the Commonwealth Accounting and Reporting System (CARS). In relation to the retirement system, Aging and Rehabilitative Services needs to ensure individuals have appropriate access to the myVRSNavigator system and needs to properly perform reconciliations over the system.

[Governor's Cabinet Secretaries](#)

Our audit of the [Governor's Cabinet Secretaries](#) found the Secretary of Veterans and Defense Affairs should strengthen its monitoring processes over recipients of Federal Action Contingency Trust Funds resulting from the federal government's Base Realignment and Closure Commission Recommendation. During fiscal year 2014, the Secretary did not properly monitor \$10.5 million in grants to ensure recipients are using the funds for the intended purposes prescribed by the General Assembly, properly obtaining and expensing matching funds, or returning to the Commonwealth its share of proceeds from the sale of properties.

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 except for the New College Institute, which does not produce financial statements. We included internal control and compliance recommendations in three of the five audits addressing various issues that we summarize in the following table.

Control and/or Compliance Area	Number of Recommendations
Federal Financial Aid	4
Information System Security	2
Information Technology Change Management	1
Capital Outlay Project Close Out	1
Fixed Asset Management	1
myVRS Navigator Reconciliation Process	1

Other Activities

Monitoring Accounting and Auditing Standards

During the quarter our Office reviewed several documents 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 responses to the applicable standard setting entity during this quarter.

Standard Setting Entity	Document Reviewed
GASB*	Exposure Draft: <i>Accounting and Financial Reporting for Certain External Investment Pools</i>
GASB*	Exposure Draft: <i>Accounting and Financial Reporting for Irrevocable Split-Interest Agreements</i>
GASB*	Exposure Draft: <i>Blending Requirements for Certain Component Units</i>

*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 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
Association of Government Accountants' National Internal Control and Fraud Prevention Training	Discussed the actions management should take to plan for and respond to frauds to ensure they maintain services.
Mid-America Intergovernmental Audit Forum and Department of Health and Human Services National External Audit Review Center's Single Audit Workshop	Presented topics for multiple sessions including an update on Government Auditing Standards – OMB Uniform Guidance Audit Requirements, which are replacing requirements in A-133 for Single Audits, and an overview of Virginia's Practices for Completing Type B Risk Assessments and Reporting Findings as required for Single Audits.
National State Auditors Association Information Technology Conference	Several members of the APA staff made presentations to information technology auditors from 34 other State Auditor Offices on topics including audit tools developed in house, business intelligence tools, and security information and event management audits.
Virginia Accounting and Auditing Conference co-sponsored by Virginia Society of Certified Public Accountants and Virginia Tech	Provided an update on Government Auditing Standards – OMB Uniform Guidance Audit Requirements, which are replacing requirements in A-133 for Single Audits.
Virginia Commonwealth University Information Audit and Controls Class	Guest lecturer – Discussed the difference between information technology general and application controls and why it is important to test both during a financial statement audit.

SUMMARY OF REPORTS ISSUED

This Office released the following reports during the period July 1, 2015, to September 30, 2015. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

Judicial Branch

Virginia Board of Bar Examiners for the year ended June 30, 2014*
Virginia State Bar for the fiscal year ended June 30, 2014

Independent Agencies

State Lottery Department (Decades of Dollars, Power Ball, Power Play, Mega Millions, Megaplier) – Reports on the Application of Agreed-Upon Procedures for the period April 1, 2014, through March 31, 2015
Virginia Workers' Compensation Commission for the period July 1, 2011, through December 31, 2014

Executive Departments

Division of Selected Agency Support Services for the year ended June 30, 2014*
Office of the Governor for the year ended June 30, 2014
Office of the Lieutenant Governor for the year ended June 30, 2014
Office of the State Inspector General for the period July 1, 2012, through September 30, 2014
The Governor's Cabinet Secretaries for the year ended June 30, 2014*

Higher Education Institutions

Christopher Newport University for the year ended June 30, 2014
James Madison University for the year ended June 30, 2014*
New College Institute for the year ended June 30, 2014*
Radford University for the year ended June 30, 2014
University of Mary Washington for the fiscal year ended June 30, 2014*

Health and Human Resources

Disability Services Agencies for the period July 1, 2011, through June 30, 2014*

Public Safety

Department of Corrections, Virginia Parole Board, and Virginia Correctional Enterprises for the period July 1, 2013, through September 30, 2014*

Technology

Assistive Technology Loan Fund Authority for the year ended June 30, 2014

Special Reports

Report to the Joint Legislative Audit and Review Commission for the quarter April 1, 2015, through June 30, 2015

Review of Agency Performance Measures for the year ended June 30, 2014*

Special Review of Procurement of Commission 2.0 at the State Corporation Commission – August 2015*

Clerks of the Circuit Courts

Cities:

Alexandria – October 1, 2013, through March 31, 2015*
Buena Vista – October 1, 2013, through March 31, 2015
Chesapeake – October 1, 2013, through March 31, 2015
Hampton – October 1, 2013, through March 31, 2015
Newport News – October 1, 2013, through March 31, 2015
Newport News (Turnover) as of May 31, 2015
Portsmouth – January 1, 2014, through March 31, 2015

Counties:

Alleghany – October 1, 2013, through March 31, 2015
Amherst – October 1, 2013, through March 31, 2015*
Bath – April 1, 2013, through March 31, 2015*
Buchanan - October 1, 2013, through March 31, 2015
Buckingham - April 1, 2013, through March 31, 2015
Caroline – April 1, 2013, through December 31, 2014*
Carroll – January 1, 2014, through February 28, 2015*
Craig – January 1, 2014, through February 28, 2015*
Dickenson – October 1, 2013, through June 30, 2015
Gloucester – October 1, 2013, through June 30, 2015
Henry – January 1, 2014, through June 30, 2015
King William - October 1, 2013, through June 30, 2015
Louisa – October 2013, through June 30, 2015

Madison - January 1, 2014, through April 30, 2015
 Orange – October 1, 2013, to March 31, 2015*
 Prince Edward – October 1, 2013, through June 30, 2015
 Prince William – July 1, 2013, through June 30, 2015*
 Pulaski – January 1, 2014, through June 30, 2015
 Surry – January 1, 2014, through June 30, 2015

State Accounts (for the year ended June 30, 2015)

Cities:

Hampton	Newport News	Staunton
Harrisonburg	Norton	Waynesboro*
Lexington	Poquoson	Winchester

Counties:

Alleghany	Fauquier	Shenandoah
Amherst	Isle of Wight	Smyth
Appomattox	Lee	Tazewell
Augusta	Northampton*	Washington
Bath	Nottoway	Wise
Bedford	Pulaski	Wythe
Bland	Rappahannock	
Buchanan	Scott	

Combined District Courts

Counties:

Alleghany – July 1, 2013, through June 30, 2014
 Bland – July 1, 2013, through June 30, 2014
 Charles City – July 1, 2013, through June 30, 2014
 Cumberland - July 1, 2013, through June 30, 2014
 Essex – July 1, 2013, through June 30, 2014
 Grayson - July 1, 2013, through June 30, 2014

General District Courts

Cities:

Charlottesville – July 1, 2013, through June 30, 2014
 Fredericksburg – July 1, 2013, through June 30, 2014
 Lynchburg – July 1, 2013, through June 30, 2014*
 Richmond - Traffic Division - July 1, 2013, through June 30, 2014
 Richmond (Manchester) – July 1, 2013, through June 30, 2014*

Roanoke – July 1, 2013, through June 30, 2014
Williamsburg/James City County – July 1, 2013, through June 30, 2014

Counties:

Arlington - July 1, 2013, through June 30, 2014
Caroline – July 1, 2013, through June 30, 2014
Charlotte – July 1, 2012, through June 30, 2014*
Chesterfield – July 1, 2013, through June 30, 2014
Fairfax – July 1, 2013, through June 30, 2014*
Fauquier – July 1, 2013, through June 30, 2014*
Franklin – July 1, 2013, through June 30, 2014
Loudoun - July 1, 2013, through June 30, 2014
Mathews - July 1, 2013, through June 30, 2014
Middlesex - July 1, 2013, through June 30, 2014
Northumberland - July 1, 2013, through June 30, 2014

Juvenile and Domestic Relations Courts

Cities:

Fredericksburg – July 1, 2013, through June 30, 2014
Hampton – July 1, 2013, through June 30, 2014*
Lynchburg – July 1, 2013, through June 30, 2014
Petersburg – July 1, 2013, through June 30, 2014
Roanoke - July 1, 2013, through June 30, 2014
Williamsburg/County of James City – July 1, 2013, through June 30, 2014*

Counties:

Arlington – July 1, 2013, through June 30, 2014
Caroline – July 1, 2013, through June 30, 2014
Charlotte – July 1, 2012, through June 30, 2014
Chesterfield – July 1, 2013, through June 30, 2014
Fairfax – July 1, 2013, through June 30, 2014
Franklin – July 1, 2013, through June 30, 2014
Lancaster - July 1, 2013, through June 30, 2014
Loudoun - July 1, 2013, through June 30, 2014
Louisa – July 1, 2013, through June 30, 2014
Northumberland – July 1, 2013, through June 30, 2014
Stafford – July 1, 2013, through June 30, 2014

Magistrate

Cities:

Colonial Heights – November 1, 2013, through June 30, 2014
Lynchburg – November 1, 2013, through June 30, 2014
Williamsburg – July 1, 2013, through June 30, 2014
Williamsburg – November 1, 2013, through June 30, 2014

Counties:

Alleghany – July 1, 2013, through June 30, 2014
Appomattox - November 1, 2013, through June 30, 2014
Arlington - November 1, 2013, through June 30, 2014
Buckingham - November 1, 2013, through June 30, 2014
Charles City – July 1, 2013, through June 30, 2014
Charles City – November 1, 2013, through June 30, 2014
Charlotte – July 1, 2012, through June 30, 2014
Charlotte - November 1, 2013, through June 30, 2014
Chesterfield – November 1, 2013, through June 30, 2014
Cumberland - November 1, 2013, through June 30, 2014
Fairfax – November 1, 2013, through June 30, 2014
Fauquier – November 1, 2013, through June 30, 2014
Franklin – November 1, 2013, through June 30, 2014
Gloucester – November 1, 2013, through June 30, 2014
Gloucester – July 1, 2013, through June 30, 2014
Halifax - November 1, 2013, through June 30, 2014
James City – July 1, 2013, through June 30, 2014
James City – November 1, 2013, through June 30, 2014
King and Queen – July 1, 2013, through June 30, 2014
King and Queen – November 1, 2013, through June 30, 2014
King William – July 1, 2013, through June 30, 2014
King William – November 1, 2013, through June 30, 2014
Loudoun - November 1, 2013, through June 30, 2014
Lunenburg - November 1, 2013, through June 30, 2014
Mathews – July 1, 2013, through June 30, 2014
Mathews – November 1, 2013, through June 30, 2014
Mecklenburg - November 1, 2013, through June 30, 2014
Middlesex – July 1, 2013, through June 30, 2014
Middlesex – November 1, 2013, through June 30, 2014
New Kent – November 1, 2013, through June 30, 2014
New Kent – July 1, 2013, through June 30, 2014
Prince Edward - November 1, 2013, through June 30, 2014
Stafford - November 1, 2013, through June 30, 2014

*Denotes management control finding