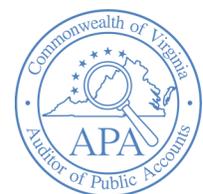




JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION

QUARTERLY REPORT SUMMARY JULY 1, 2019 THROUGH SEPTEMBER 30, 2019

Auditor of Public Accounts
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QUARTERLY REPORT SUMMARY - JULY 1, 2019, TO SEPTEMBER 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 or our contracted firms during the period July 1, 2019, to September 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.

Local Government

Local Government Fiscal Distress Monitoring – June 2019

This report describes the results from the legislation directing the Auditor of Public Accounts to establish an early warning system to annually monitor data and information from this system to identify potential fiscal distress within local governments across Virginia. This report provides an overview of the legislative requirements and summary of the analysis that our Office first implemented during 2017 to develop an early warning monitoring system. This report further describes the refinements our Office made during 2018 to improve and enhance the early warning system, along with the results of our reviews performed with specific localities identified as part of the 2018 analysis. Access the [Full Report](#) or [Executive Summary](#) on our website.

Special Reports

Information Technology Project Progress Report

Our Information Technology Project Progress Report reflects our on-going review of nine different Commonwealth information technology systems development projects with a total combined budget of \$190 million. Our review goal is to detect problems at the earliest possible point and alert decision makers of this information, thereby reducing potential project failures. We have chosen to highlight the Department of Medical Assistance Services' Medicaid Enterprise System Program and the Department of Accounts' Human Capital Management Systems Project in this report due to their size and complexity, which inherently increases the risk of delay or failure. Access the [Full Report](#) on our website.

Virginia District Court System

This statewide report summarizes the findings from our audit of the District Court System for the fiscal year ended June 30, 2018. Our audits resulted in findings in 68 courts, some of which had multiple findings. The most common finding was related to the proper billing and collection of court fines, costs, and fees. Other findings were related to control weaknesses noted in accounting areas, such as the lack of bank reconciliations, improper record retention, and inadequate reviews of internal reports. The potential financial impact of these findings are state revenue losses of approximately \$104,000, locality revenue losses of approximately \$2,000, defendants being overcharged approximately \$9,000, and tax set off losses of nearly \$60,500. Access the [Full Report](#) on our website.

Higher Education Special Reports

Progress Report on Implementation of JLARC Recommendations

Our [Progress Report on Implementation of JLARC Recommendations](#) shows a summary of progress made by four-year institutions of higher education in implementing eight Joint Legislative Audit and Review Commission (JLARC) recommendations required pursuant to § 4-9.04 of Chapter 2 of the 2018 Acts of Assembly. We have prepared this summary by reviewing the results of our audits at each institution for the fiscal years ended June 30, 2016, June 30, 2017, and June 30, 2018, and additional follow-up discussion with institutions during the preparation of this report.

Report on Compliance – NCAA Subsidy Percentage Requirements

Our [Report on Compliance with NCAA Subsidy Percentage Requirements](#) includes the results of our analysis of Virginia’s institutions of higher education compliance with the provisions of § 23.1-1309 of the Code of Virginia, which directs institutions to minimize the use of student fees or other institutional sources derived from students to subsidize intercollegiate athletic department revenues. Our analysis indicates that all institutions comply with the NCAA subsidy percentage requirements as of the year ended June 30, 2018, with the exception of Norfolk State University. As directed by the Code of Virginia, Norfolk State University should prepare and submit a plan for approval by the Governor and General Assembly that will ensure compliance with the subsidy percentage requirements within five years.

Higher Education Financial Reports

Longwood University

Our audit of [Longwood University](#) for the fiscal year ended June 30, 2018, found the University should ensure that Financial Operations has enough staff with appropriate expertise and knowledge to properly prepare and review the financial statements. Our report includes two findings related to financial statement preparation and capital assets, which are material weaknesses due to material errors in the financial statements. Our report also includes five information technology findings, three of which are repeat findings and two are new findings. One repeat information technology finding is a material weakness. Finally, we had two findings related to student financial aid for reporting enrollment data to the National Student Loan Data System and processing Title IV refund calculations.

Virginia Community College System

Our audit of the [Virginia Community College System](#) (System) for the fiscal year ended June 30, 2018, contains a comment to management, and eighty recommendations resulting from the testing we performed in support of the Commonwealth’s Single Audit of federal funds, reaffirmation of accreditation for certain individual colleges, and the audit of the System’s financial statements. The report also contains a transmittal letter that highlights the major themes of our recommendations: access control, student financial assistance, general accounting, and procurement/contract management.

Virginia State University

Our audit of [Virginia State University](#) (University) for the year ended June 30, 2018, found the University should continue to address prior year recommendations related to virtual private network security, user access controls, and emergency and sole source procurements. Additionally, our report includes nine new findings related to accounts payable, capital assets, payroll/human resources, and student financial aid. Both the accounts payable finding and the capital assets finding resulted in audit adjustments in the fiscal year 2018 financial statements.

Agency Reports

Department of Game and Inland Fisheries

Our audit of the [Department of Game and Inland Fisheries](#) (DGIF) for the year ended June 30, 2018, found it has not performed an annual access review of the Commonwealth's attendance and leave system in accordance with the Commonwealth's Information Security Standard, SEC 501. Also, Human Resources at DGIF does not have a sufficient process for or controls over the employment eligibility process. Further, DGIF has not performed a complete physical inventory of its fixed assets or fully updated its internal asset management system with the results of the inventories performed since 2016. Finally, DGIF has not documented reconciliation policies and procedures that ensure the Fixed Asset Accountant maintains adequate internal controls over the reconciliation process and is not maintaining sufficient internal documentation to support changes made to construction in progress balances.

Disability Services Agencies – Audit of Select Cycles

Our audit of select cycles at the [Disability Service Agencies](#) for the year ended June 30, 2018, found the agencies have not updated the Memorandum of Understanding for administrative services with their service provider agency, the Department for Aging and Rehabilitative Services, to consider changes in operations since fiscal year 2015 when they originally created it. As a result, there have been misunderstandings, duplication of efforts, and missing controls over some processes specifically related to the Virginia Industries for the Blind (VIB), which is a division of the Department of Blind and Vision Impaired. No one reconciled the revenues in VIB's point of sale or manufacturing systems with the Commonwealth's accounting and financial reporting system, totaling \$44.0 million. VIB has an insufficient governance structure to manage and maintain its information security program and does not have the minimum controls required by the Commonwealth's Information Security Standard, SEC 501 over these same systems. In addition, VIB does not gain annual assurance that its third-party providers and credit card processors have secure information technology environments to protect its mission critical data for these two systems. Finally, the Disability Services Agencies should improve controls over client gift and fuel card purchases, purchase card reconciliations, and reimbursement of travel expenses potentially purchased through purchase cards.

Other Reports

[Virginia Retirement System Schedules - Employer Reports for Pension Plans](#)

In September 2019, the Virginia Retirement System provided the actuarial valuation reports, schedules of the applicable pension amounts, footnote disclosure information, and other financial reporting guidance to the participating state and local government employers for their financial statements to enable them to comply with Governmental Accounting Standards Board Statement No. 68, which covers accounting and reporting of pension activity by employers. The Commonwealth and its localities were required to implement this standard beginning in fiscal year 2015. Likewise, our Office published the reports that included our audit opinions over the plan schedules and applicable pension amounts for the state employee, teachers, and political subdivision retirement plans. All of this information is available on the [Local Government - Pension and OPEB Standards](#) section of our website.

[Virginia Retirement System Schedules - Employer Reports for OPEB Plans](#)

In September 2019, the Virginia Retirement System provided the actuarial valuation reports, schedules of the applicable other post-employment benefit (OPEB) amounts, footnote disclosure information, and other financial reporting guidance to the participating state and local government employers for their financial statements to enable them to comply with Governmental Accounting Standards Board Statement No. 75, which covers employer accounting and reporting of post-employment benefits other than pensions. The Commonwealth and its localities were required to implement this standard beginning in fiscal year 2018. Likewise, our Office published the reports that included our audit opinions over the plan schedules and applicable OPEB amounts for the state employee, teachers, and political subdivision retirement plans. All of this information is available on the [Local Government - Pension and OPEB Standards](#) section of our website.

Other Activities

Monitoring Accounting and Auditing Standards

During the quarter, our Office reviewed several documents issued for comment by the various standard setting bodies that govern the auditing standards we follow in performing our audits and 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. 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
AICPA*	Exposure Draft: <i>Amendments to the Description of the Concept of Materiality</i>
AICPA*	Exposure Draft: <i>Audit Evidence</i>
AICPA*	Exposure Draft: <i>Materiality in a Review of Financial Statements, Adverse Conclusions, and Special Purpose Frameworks</i>
GASB**	Exposure Draft: <i>Internal Revenue Code Section 457 Deferred compensation Plans That Meet the Definition of a Pension Plan and Supersession of GASB Statement 32</i>
GASB**	Exposure Draft: <i>Omnibus 20XX</i>
GASB**	Exposure Draft: <i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i>
GASB**	Exposure Draft: <i>Subscription-Based IT Arrangements</i>

*American Institute of Certified Public Accountants

**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
American Institute of Certified Public Accountants Governmental Accounting and Auditing Update Conference	Presented information in multiple sessions including an update on the Single Audit and Compliance Supplement; a workshop on conquering Single Audit challenges; and a session discussing general controls over information technology.
American Institute of Certified Public Accountants Governmental Audit Quality Center Webinar	Presented information on the new 2019 Data Collection Form and Federal Audit Clearinghouse.

Community Involvement

On September 20th, 35 APA employees participated in Virginia Society of Certified Public Accountants' CPAsGiveBack campaign during Virginia CPA Week volunteering at the Habitat for Humanity ReStore, FeedMore Virginia, St. Joseph's Villa.

Our staff performed a variety of tasks at these organizations including pricing, organizing, and building new displays for merchandise, packaging meals and snacks for citizens in the Richmond area, and helping to edge, mulch, and plant flowers and produce in a learning and therapy garden for students.



SUMMARY OF REPORTS ISSUED

The following reports on audit were released by this Office during the period July 1, 2019, to September 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 Agencies

State Corporation Commission – Audit of Select Cycles for the year ended June 30, 2018*

Virginia Lottery – Reports on Applying Agreed-Upon Procedures for the period April 2018 through March 2019:

- Cash4Life
- Mega Millions
- Megaplier
- Power Play
- Powerball

Virginia Retirement System GASB 68 and 75 Schedules:

OPEB Plans:

- Disability Insurance Program for the plan year ended June 30, 2018
- Group Life Insurance Plan for the plan year ended June 30, 2018
- Political Subdivision Health Insurance Credit Plans for the plan year ended June 30, 2018
- State Health Insurance Credit Plan for the plan year ended June 30, 2018
- Teacher Health Insurance Credit Plan for the plan year ended June 30, 2018

Pension Plans:

- Political Subdivision Retirement Plans for the plan year ended June 30, 2018
- State Employee Retirement Plan for the plan year ended June 30, 2018
- Teacher Retirement Plan for the plan year ended June 30, 2018

Virginia Retirement System Management's Assertions Related to Census Data for OPEB Plans for the plan year ended June 30, 2017

Virginia Retirement System Management's Assertions Related to Census Data for Pension Plans for the plan year ended June 30, 2017

Judicial Branch

Virginia State Bar for the year ended June 30, 2018*

Executive Departments

Administration

Department of Human Resource Management GASB 75 Schedules - Commonwealth of Virginia State Health Plans Program for Pre-Medicare Retirees for the fiscal year ended June 30, 2018

Commerce and Trade

Department of Housing and Community Development Internal Control Questionnaire Review Results as of June 2019*

Department of Labor and Industry Internal Control Questionnaire Review Results as of May 2019*

Department of Small Business and Supplier Diversity Internal Control Questionnaire Review Results as of June 2019

Education

Science Museum of Virginia for the year ended June 30, 2018*

Southern Virginia Higher Education Center Internal Control Questionnaire Review Results as of May 2019*

Southwest Virginia Higher Education Center Internal Control Questionnaire Review Results as of June 2019*

Virginia Museum of Fine Arts – Audit of Select Cycles for the year ended June 30, 2018*

Colleges and Universities

Longwood University for the year ended June 30, 2018*

Virginia Community College System for the year ended June 30, 2018*

Virginia State University for the year ended June 30, 2018*

Finance

Payroll Service Bureau Internal Control Questionnaire Review Results as of May 2019*

Virginia Board of Accountancy for the year ended June 30, 2018

Health and Human Resources

Disability Services Agencies – Audit of Select Cycles for the year ended June 30, 2018*

Virginia Health Workforce Development Authority Internal Control Questionnaire Review Results as of May 2019*

Natural Resources

Department of Conservation and Recreation Internal Control Questionnaire Review Results as of May 2019*

Department of Game and Inland Fisheries for the year ended June 30, 2018*

Marine Resources Commission Internal Control Questionnaire Review Results as of May 2019*

Potomac River Fisheries Commission for the year ended June 30, 2019*

Technology

Innovation and Entrepreneurship Investment Authority, including its Blended Component Unit, Center for Innovative Technology and Subsidiaries for the year ended June 30, 2018*

Veterans and Defense Affairs

Department of Veterans Services – Audit of Patient Care Revenue for the year ended June 30, 2018*

Special Reports

Information Technology Project Progress Report as of March 31, 2019

Local Government Fiscal Distress Monitoring as of June 2019

Progress Report on Implementation of JLARC Recommendations as of June 2019

Report on Compliance – NCAA Subsidy Percentage Requirements for the year ended June 30, 2018

Report to the Joint Legislative Audit and Review Commission for the quarter April 1, 2019, through June 30, 2019

Virginia District Court System for the year ended June 30, 2018

Clerks of the Circuit Courts

Cities:

Alexandria – October 1, 2017, through June 30, 2019*
Buena Vista – April 1, 2018, through June 30, 2019
Charlottesville – April 1, 2018, through March 31, 2019*
Danville – April 1, 2018, through March 31, 2019
Norfolk – January 1, 2018, through March 31, 2019*
Richmond – January 1, 2018, through March 31, 2019

Counties:

Appomattox – April 1, 2018, through March 31, 2019
Buchanan – January 1, 2018, through March 31, 2019
Giles – April 1, 2018, through March 31, 2019*
Halifax – April 1, 2018, through March 31, 2019*
Hanover – January 1, 2018, through March 31, 2019
Isle of Wight – April 1, 2018, through March 31, 2019*
King and Queen – April 1, 2018, through March 31, 2019
King George – January 1, 2018, through March 31, 2019*
Lee – July 1, 2018, through June 30, 2019
Loudoun – April 1, 2018, through March 31, 2019
Louisa – April 1, 2018, through March 31, 2019*
Madison – January 1, 2018, through March 31, 2019
Nelson – April 1, 2018, through March 31, 2019*
Patrick – April 1, 2018, through March 31, 2019
Scott – July 1, 2018, through June 30, 2019
Warren – July 1, 2017, through March 31, 2019
Warren - as of June 28, 2019❖

State Accounts (for the year ended June 30, 2019)

Cities:

Alexandria	Fairfax	Newport News*	Richmond
Bristol	Franklin	Norfolk	Roanoke
Charlottesville	Hampton	Norton	Salem
Chesapeake	Harrisonburg	Petersburg*	Staunton
Covington	Lynchburg*	Poquoson	Suffolk
Danville	Manassas Park	Portsmouth	Waynesboro*
Emporia	Martinsville*	Radford	Winchester

Counties:

Alleghany ❖	Charlotte	Grayson	Nottoway	Shenandoah
Alleghany*	Clarke	Greene	Page	Smyth
Amelia	Craig	Greensville	Patrick	Southampton
Amherst	Cumberland	Halifax*	Pittsylvania*	Sussex
Augusta	Dickenson	Henrico	Powhatan	Tazewell
Bath	Dinwiddie	Henry	Prince George	Warren ❖
Bedford	Essex*	Highland*	Prince William	Warren*
Bland	Fairfax	Isle of Wight	Rappahannock	Washington
Botetourt	Fauquier	King and Queen	Richmond*	Westmoreland*
Brunswick	Floyd	King William	Roanoke	Wise
Buckingham	Frederick	Lee	Rockingham*	Wythe*
Caroline	Giles	Louisa	Russell	York
Carroll	Goochland ❖	Madison	Scott*	

General Receivers (for the year ended June 30, 2019)

Counties:

Lee Lee ❖

Combined District Courts

Counties:

Highland – July 1, 2018 through June 30, 2019

General District Courts

Cities:

Richmond (Marshall Criminal-Traffic at Manchester) – July 1, 2017, through June 30, 2018

Counties:

- Accomack – July 1, 2017, through June 30, 2018
- Bedford – July 1, 2017 through June 30, 2019*
- Henrico – July 1, 2017 through June 30, 2018*
- Northampton – July 1, 2017 through June 30, 2018
- Patrick – July 1, 2018 through June 30, 2019
- Roanoke – July 1, 2017, through June 30, 2018*

Juvenile and Domestic Relations Court

Cities:

Roanoke – July 1, 2017, through June 30, 2018*

Richmond – July 1, 2017, through June 30, 2018*

Counties:

Accomack – July 1, 2017, through June 30, 2019*

Lancaster – July 1, 2017, through June 30, 2018*

Northampton – July 1, 2017, through June 30, 2019*

Magistrates (July 1, 2017, through June 30, 2019)

District 2A – Counties of Accomack and Northampton*

District 6 – Cities of Emporia and Hopewell; Counties of Brunswick, Greensville, Prince George, Surry and Sussex*

District 9 – City of Williamsburg; Counties of Charles City, Gloucester, James City, King and Queen, King William, Mathews, Middlesex, New Kent, and York for the period July 1, 2017 through June 30, 2018*

District 11 – City of Petersburg; Counties of Amelia, Dinwiddie, Nottoway and Powhatan

*Denotes includes internal control and/or compliance finding

❖ Denotes turnover reports with varying dates