



Quarterly Report Summary

October 1, 2008 to December 31, 2008

Virginia Enterprise Applications Program Needs Direction and Focus

The Virginia Enterprise Applications Program does not have a formal strategic plan or direction. If the Commonwealth does resolve the question of information technology governance, the future need for the Program is questionable; and without a reliable funding stream, the Program's ability to perform work is doubtful. (page 1)

The Commonwealth Improves Information Security

The Commonwealth of Virginia's agencies and institutions of higher education have made significant progress in establishing and adhering to their information security programs. (page 2)

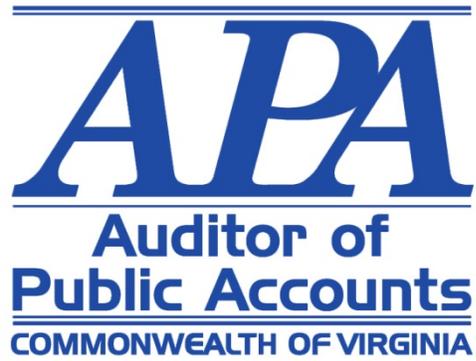
First Report on the Collections and Costs of Operating Circuit and District Courts Show Areas for Modernization and Savings

The report provides a comprehensive overview of the fiscal operations of the Commonwealth's Circuit and District Courts. There are two recommendations which could save the Commonwealth funding. (pages 2-3)

Other Items

We have highlighted the results from our Review of Commonwealth Management and Control over Prescription Medication and our study of the Southeastern Public Service Authority. (pages 3-4)

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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Virginia Enterprise Applications Program

Findings

The Virginia Enterprise Applications Program (VEAP) does not have a formal strategic plan or direction. In addition, without resolving the question of information technology (IT) governance, the future need for the VEAP is questionable; and, without a reliable funding stream, the VEAP's ability to perform work is doubtful. The Commonwealth received value from the VEAP's original products provided under the public-private partnership with CGI, an IT service provider; however, these products are time sensitive and their value will fade if the Commonwealth does not use them or regularly update them.

Introduction and Objectives

As part of our office's ongoing review of Commonwealth-wide system development efforts, we have been monitoring the Commonwealth's enterprise applications public-private partnership (PPEA) and have issued updates on this project's status in our semi-annual systems development progress reports. During recent meetings the Information Technology Investment Board (ITIB) has raised questions regarding quantifiable outcomes associated with the PPEA managed by the Virginia Enterprise Applications Program office (VEAP).

The ITIB Chairman, Jim McGuirk, inquired if the Auditor of Public Accounts (APA) could report separately on the PPEA project and the outcomes associated with the funding used to date. As a result, we are providing information to address the following ITIB questions.

1. Study and determine the benefits received from the funding provided to the PPEA and the resulting outcomes including the specific expenditure of funds and the status of the projects they support.
2. Determine and report on the specific work products, including those delivered and those still in progress, that have been delivered to the Commonwealth as a result of the VEAP and its funding provided to date. Determine the value and usefulness of each work product compared to the amount spent for each item.
3. Understand and evaluate the VEAP's future enterprise applications strategy and the potential financial and operational implications of the strategy.

The primary reason the ITIB requested our review is the VEAP has experienced leadership, funding and directional changes since its origination and the VEAP has modified its approach to enterprise applications in response to these changes. The ITIB and others have had difficulty understanding and keeping current with the direction the VEAP is taking and this confusion has raised concerns over the effective use of and value received from the resources committed to this project.

Statewide Review of Information Security in the Commonwealth of Virginia

The 2008 *Statewide Review of Information Security in the Commonwealth of Virginia* contains the following findings.

- 1) The Commonwealth of Virginia and its agencies and institutions of higher education have made significant progress in establishing and adhering to their information security programs.
- 2) The Commonwealth of Virginia is continually updating its information security policies and standards to meet the needs of the Commonwealth and the requirements of industry best practices.
- 3) The Commonwealth of Virginia communicates information security policies, standards, and guidelines to agencies and institutions of higher education through several channels, including, monthly information security officers' meetings, new information security officer orientation, e-mail communication, and on-line review and comment forums.
- 4) Smaller agencies continue not to have adequate resources or expertise to establish an information security program. The Commonwealth has hired two full-time information security experts to assist small to medium-sized agencies establish information security programs; however, they have not had the time to address most the agencies' needs.

This report contains no recommendations. Appendix B of the report includes a summary of recommendations previously given to agencies and institutions of higher education for improving their information security programs since our last statewide review of information security in December 2006.

Collections and Costs of Operating the Circuit and General District Courts by Locality

For the fiscal year ended June 30, 2007

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 treasuries. The Courts also hold funds for others and amounts pending the adjudication of cases; this report does not include these amounts.

There are two recommendations for the General Assembly's consideration for improving the efficiency of the fiscal process, which are show below.

Recommendation 1:

The General Assembly may wish to consider having the Compensation Board change its method of determining the allocation of excess fees to using a base line minimum and then having the Clerk allocate the amount in excess of the baseline to both the Commonwealth and the Locality.

Recommendation 2:

The General Assembly may wish to consider amending the Code of Virginia and eliminating the commission charged by the Clerk on Commonwealth and locality collections. Further, the General Assembly may wish to direct that the District Courts deposit their collections directly in the Commonwealth or locality Treasurer, therefore increasing the opportunity for interest earnings.

Southeastern Public Service Authority

We conducted a review of the Southeastern Public Service Authority as directed House Joint Resolution 89 and Senate Joint Resolution 65. Below is our overview of the study results.

FINDINGS AND RECOMMENDATIONS

In collecting and analyzing such data and information, the Auditor of Public Accounts shall assess Southeastern Public Service Authority's financial stability and performance, compare SPSA's operations with similar public and private entities, and make such recommendations as he may deem relevant to the purposes of this study.

The above is a direct quote from the Joint Resolution authorizing this review. Fundamental to accomplishing this charge is a comparison of SPSA's actual performance against its financial and operational plans both short and long-term. SPSA has never completed a comprehensive financial and operational plan with which to conduct such a review.

Overview

We believe that many of the actual and perceived problems with SPSA's operations come from the lack of a clear business focus and direction, which a comprehensive financial and operational plan would demonstrate. Although SPSA faces an uncertain long-term future, financial and operational planning would provide the governing body and management a framework with which to begin addressing SPSA's future direction and aid in making long-term decisions.

Further, we believe that management has made a number of debt financing decisions, and taken revenue setting and generation actions and other actions without a long-term vision of their consequences or effects on the operating viability of the authority. For example, should SPSA terminate as an entity, the governing body and management need to have available the long-term funding to monitor and maintain all landfills and other such facilities after SPSA closes them for a lack of space. However, SPSA has not adequately assessed these future obligations nor funded them.

Our review, therefore, focused on SPSA's governance, planning, operations, and financial position. There are a number of areas we believe require both management and Board attention. A vast majority of these areas focus on fundamental policy and management practices.

Historically, SPSA has used bond proceeds as a primary source of short and long-term capital funding. This ability to easily access the capital markets has allowed management and the Board to have sufficient funds to operate and expand and not forced the authority to always consider operational and financial best practices.

Review of Commonwealth Management and Control over Prescription Medication

For the year ended September 30, 2008

Commonwealth spending for prescription medication grew by approximately 38.6 percent from \$112.3 million in 2001 to \$155.7 million in 2006. National spending on retail prescription pharmaceuticals increased by approximately 56.7 percent from \$138.3 billion to \$216.7 billion over that same period. Commonwealth pharmaceutical spending continued to grow to \$164.9 million in 2007 and slightly declined to \$161.1 million in 2008. National spending data is not yet available for that period. The Departments of Health, Mental Health, Mental Retardation and Substance Abuse Services, Corrections, and Juvenile Justice and the University of Virginia Medical Center account for 96 percent of Commonwealth spending on pharmaceuticals.

Our review determined that state operated pharmacies were generally compliant with federal and state pharmacy and controlled substances regulations and were utilizing available discount programs and contract alliances.

Our review of individual facilities resulted in the following findings and recommendations.

- The Chesterfield Health District should improve controls over the distribution of prescription medication to local health departments.
- The Virginia Department of Health Central Pharmacy should standardize its prescription procurement process in order to minimize errors.
- The Departments of Corrections and Juvenile Justice should consider a cooperative contracting arrangement for pharmacy services in order to obtain more favorable pricing and uniform controls over medications.

SUMMARY OF REPORTS ISSUED

The following reports on audit were released by this Office during the period October 1, 2008, to December 31, 2008. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

State Agencies and Institutions

Virginia Commercial Space Flight Authority for the year ended June 30, 2008*

Judicial Branch

Virginia Circuit Courts Statewide Report – July 1, 2007 through June 30, 2008*

Virginia General District Courts Statewide Report – July 1, 2007 through June 30, 2008*

Virginia Board of Bar Examiners for the year ended June 30, 2008*

Independent Agencies

State Lottery Department for the Year Ended June 30, 2008*

Virginia Retirement System for the fiscal year ended June 30, 2008*

Executive Departments

Office of the Attorney General and the Department of Law for the period ended June 30, 2008

The Governor's Cabinet Secretaries for the year ended June 30, 2008*

Commerce and Trade

Virginia Racing Commission for the fiscal year ended June 30, 2008

The Tobacco and Community Revitalization Commission for the fiscal year ended June 30, 2008

Virginia Economic Development Partnership – as of June 30, 2008

Education

Department of Education Including Direct Aid to Public Education and Virginia Schools for Deaf and Blind for the year ended June 30, 2008*

Payments in Lieu of Taxes for Virginia from October 1, 2007 until September 30, 2008

Colleges and Universities

Old Dominion University Intercollegiate Athletics Programs for the year ended June 30, 2008

University of Virginia for the fiscal year ended June 30, 2008*

University of Virginia Medical Center for the fiscal year ended June 30, 2008
Virginia Polytechnic Institute and State University for the fiscal year ended June 30, 2008*
Virginia Polytechnic Institute and State University - Intercollegiate Athletics Programs for the
fiscal year ended June 30, 2008

Health and Human Resources

Office of Comprehensive Services for At-Risk Youth and Families for the year ended
June 30, 2008
Virginia Tobacco Settlement Foundation for the fiscal year ended June 30, 2008

Public Safety

Department of Alcoholic Beverage Control for the Year Ended June 30, 2008*

Technology

The Innovative Technology Authority including its Blended Component Unit Center for
Innovative Technology Annual Financial Statements for the fiscal year ended June 30, 2008
2008 Statewide Review of Information Security in the Commonwealth of Virginia report on
audit as of December 12, 2008 *

Transportation

Virginia Port Authority for the year ended June 30, 2008*

Special Reports

General Assembly, Legislative Agencies, and Commissions of the Commonwealth of Virginia
Financial Report for the fiscal year ended June 30, 2008
Report to the Joint Legislative Audit and Review Commission for the quarter July 1, 2008 to
September 30, 2008*
Revenue Stabilization Fund Calculations for the year ended June 30, 2008
Review of Commonwealth Management and Control over Prescription Medication, September
2008*
Southeastern Public Service Authority, October 2008*
Auditor of Public Accounts - 2008 Report to the General Assembly
Virginia Enterprise Applications Program, September 2008*
Collections and Costs of Operating the Circuit and General District Courts by Locality for the
year ended June 30, 2007

Clerks of the Circuit Courts

Cities:

City of Lynchburg – April 1, 2007 through March 31, 2008

City of Martinsville - April 1, 2007 through June 30, 2008

Counties:

County of Dinwiddie – as of June 30, 2008

County of Hanover – April 1, 2007 through June 30, 2008

County of Louisa – as of June 30, 2008

State Accounts

County of Accomack – as of June 30, 2008

County of Albemarle – as of June 30, 2008*

County of Alexandria – as of June 30, 2008

County of Alleghany – as of June 30, 2008*

County of Augusta – as of June 30, 2008

County of Brunswick – as of June 30, 2008

County of Charles City – as of June 30, 2008

County of Clarke – as of June 30, 2008

County of Culpeper – as of June 30, 2008

County of Dickenson – as of June 30, 2008

County of Dinwiddie – as of June 30, 2008

County of Fauquier – as of June 30, 2008

County of Fluvanna – as of June 30, 2008

County of Giles – as of June 30, 2008

County of Greene – as of June 30, 2008

County of Greensville – as of June 30, 2008

County of Halifax – as of June 30, 2008

County of James City – as of June 30, 2008

County of Lunenburg – as of June 30, 2008

County of Madison – as of June 30, 2008

County of Montgomery – as of June 30, 2008

County of Nelson – as of June 30, 2008*

County of Orange – as of June 30, 2008

County of Pittsylvania Turnover Report as of November 17, 2008

County of Powhatan – as of June 30, 2008

County of Prince George – as of June 30, 2008

County of Rappahannock – as of June 30, 2008

County of Rockingham – as of June 30, 2008

County of Russell – as of June 30, 2008

County of Richmond – as of June 30, 2008

County of Scott – as of June 30, 2008

County of Shenandoah – as of June 30, 2008

County of Staunton – as of June 30, 2008
County of Southampton – as of June 30, 2008
County of Surry– as of June 30, 2008
County of Tazewell – as of June 30, 2008
County of Warren – as of June 30, 2008
County of Westmoreland – as of June 30, 2008
County of York – as of June 30, 2008

Cities:

City of Buena Vista – as of June 30, 2008
City of Danville – as of June 30, 2008
City of Danville Turnover Report as of November 16, 2008
City of Fredericksburg – as of June 30, 2008
City of New Kent – as of June 30, 2008
City of Virginia Beach – as of June 30, 2008
City of Franklin – as of June 30, 2008
City of Norfolk – as of June 30, 2008
City of Salem – as of June 30, 2008*
City of Chesapeake – as of June 30, 2008
City of Williamsburg – as of June 30, 2008
City of Portsmouth – as of June 30, 2008
City of Harrisonburg – as of June 30, 2008
City of Colonial Heights – as of June 30, 2008*

*Denotes management control finding