



Auditor of
Public Accounts
COMMONWEALTH OF VIRGINIA



Quarterly Report Summary - - October 1, 2012 to December 31, 2012

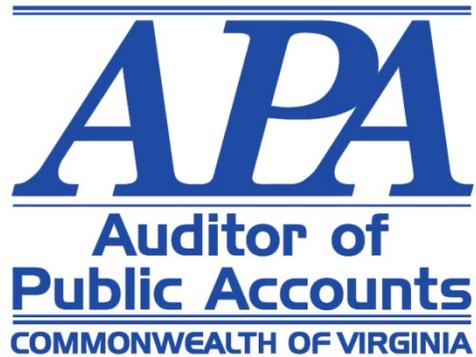
Study on Feasibility of Using CPA Firms

In the 2012 Session of the General Assembly, House Bill 341 proposed that the Auditor of Public Accounts (APA) procure the services of auditing firms to carry out the duties the APA currently performs. In this report, we provide an overview of the existing model as well as the work the APA currently performs and information on the extent of outsourcing in other states and address the issues in the request letter. (page 1)

Status of Virginia Employment Commission System Development Projects

The Employment Commission is currently involved in several system development initiatives, which will replace multiple outdated systems and significantly change the agency's current business processes. The Financial Management Systems Project will replace the current financial system and the Unemployment Insurance Modernization (UI Mod) Project will replace multiple legacy mainframe-based systems changing the way employers interact with the Employment Commission. The Employment Commission is planning to implement these new systems over the next two years and is devoting significant resources to these projects. (page 2)

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.



- TABLE OF CONTENTS -

<i>Study on Feasibility of Using CPA Firms</i>	<i>1</i>
<i>Status of Virginia Employment Commission System Development Projects</i>	<i>2</i>
<i>SUMMARY OF REPORTS ISSUED</i>	<i>3 - 8</i>

Study on Feasibility of Using CPA Firms

In the 2012 Session of the General Assembly, House Bill 341 proposed that the Auditor of Public Accounts (APA) procure the services of auditing firms to carry out the duties the APA currently performs. The Chairman of the General Government Subcommittee of the House Appropriations Committee requested, with the concurrence of the Bill's patron, that the APA review certain issues surrounding the feasibility of moving forward with the proposal, consult with public stakeholders, and report back to the General Government Subcommittee prior to the beginning of the 2013 session of the General Assembly. In this report, we provide an overview of the existing model as well as the work the APA currently performs and information on the extent of outsourcing in other states and address the issues in the request letter as reflected below.



Throughout the report we provide *decision considerations* and related *decision points* for the General Assembly to address when evaluating the different options associated with audit outsourcing. The General Assembly's initial decisions regarding the degree of legislative oversight and the nature and extent of services will impact which *decision points* it must address.

Prior to addressing the *decision points* we have outlined in this report, the General Assembly should consider determining what its overall objective is for using auditing firms instead of the APA to perform audits. Having the objective in mind would help to provide a context for considering the various *decision points*, as some may not be relevant, depending on the objective. Due to interdependencies between the various *decisions points*, the General Assembly should not attempt to address them singularly; but should consider each in relation to the other *decision points*.

Status of Virginia Employment Commission System Development Projects

The Employment Commission is currently involved in several system development initiatives, which will replace multiple outdated systems and significantly change the agency's current business processes. We summarize these projects and the status below.

Unemployment Insurance Modernization (UI Mod) Project

The Unemployment Insurance Modernization Project (UI Mod) will replace multiple existing mainframe-based software systems with a web-based platform, changing the way employers interact with the Employment Commission. UI Mod will support payment of benefits to unemployed workers, collection of taxes from employers, and the accumulation of wage data. The total budget for UI Mod is \$58.5 million with \$49.1 million coming from the Reed Act funds and the remaining \$9.4 million coming from the Employment Commission's penalty and interest fund. The Employment Commission has spent approximately \$18.6 million as of October 2012.

The first phase, Imaging and Workflow, went into production successfully and under budget in December of 2011. However, the Employment Commission and HCLA, the vendor for the UI Mod project, have extended the implementation dates of both the Tax and Benefit phases from December 2012 and May 2013 to May 2013 and August 2013, respectively.

Although the project continues to move forward steadily, UI Mod continues to encounter hurdles such as resource availability and vendor staff attrition, including the resignation of the HCLA Project Manager. In addition, HCLA and the Employment Commission have already contractually adjusted the project schedule, therefore extending the implementation dates one time and HCLA has indicated the desire to adjust the schedule again.

Financial Management System

The Financial Management System Project is a modern, integrated financial management system that will replace an outdated mainframe batch system and databases. The Employment Commission signed a contract with Strategic Information Solutions in May of 2012 for the implementation of the Financial Management System's Oracle application. The total project cost is \$4.9 million with funding coming primarily from Reed Act funds and the Employment Commission plans to implement the new system in October 2013.

SUMMARY OF REPORTS ISSUED

The following reports on audit were released by this Office during the period October 1, 2012, to December 31, 2012. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

Independent Agencies

Fort Monroe Authority for the year ended June 30, 2012*
Internal Control Report on Audit for Local Government Investment Pool, Virginia Public School Authority, Virginia College Building Authority, and Virginia Public Building Authority for the year ended June 30, 2012
Virginia Retirement System for the year ended June 30, 2012

Executive Departments

Division of Selected Agency Support Services for the year ended June 30, 2012
Governor's Cabinet Secretaries for the year ended June 30, 2012
Office of the Governor for the year ended June 30, 2012
Office of the Lieutenant Governor for the year ended June 30, 2012

Commerce and Trade

Department of Professional and Occupational Regulation for the period July 1, 2009 through June 30, 2012
Virginia Biotechnology Research Partnership Authority for the year ended June 30, 2012
Virginia Commercial Space Flight Authority for the year ended June 30, 2012
Virginia Economic Development Partnership for the year ended June 30, 2012
Virginia Employment Commission for the year ended June 30, 2012*
Virginia Tobacco Indemnification and Community Revitalization Commission for the year ended June 30, 2012

Education

Virginia College Savings Plan for the year ended June 30, 2012*

Colleges and Universities

James Madison University for the year ended June 30, 2012
University of Mary Washington for the year ended June 30, 2012
University of Virginia for the year ended June 30, 2012*

University of Virginia Medical Center for the year ended June 30, 2012
Virginia Commonwealth University for the year ended June 30, 2012
Virginia Polytechnic Institute and State University for the year ended June 30, 2012

Finance

Internal Control Report on Audit for Local Government Investment Pool, Virginia Public School Authority, Virginia College Building Authority, and Virginia Public Building Authority for the year ended June 30, 2012

Natural Resources

Department of Historic Resources for the year ended June 30, 2012

Public Safety

Department of Alcoholic Beverage Control for the year ended June 30, 2012*

Technology

Innovation and Entrepreneurship Investment Authority, including its blended component unit, the Center for Innovative Technology for the year ended June 30, 2012

Transportation

Virginia Port Authority for the year ended June 30, 2012*

Special Reports

General Assembly, Legislative Agencies, and Commissions of the Commonwealth of Virginia Financial Report for the year ended June 30, 2012
Report to the Joint Legislative Audit and Review Commission for the quarter July 1, 2012 through September 30, 2012*
Revenue Stabilization Fund Calculations for the year ended June 30, 2012
Review of Compliance with the Federal Payments in Lieu of Taxes (PILT) Act for the period October 1, 2011 through September 30, 2012 Study on Feasibility of Using CPA Firms – December 2012

Clerks of the Circuit Courts

Cities:

City of Portsmouth - April 1, 2011 through September 30, 2012

Counties:

County of Appomattox - January 1, 2011 through September 30, 2012

County of Greene - April 1, 2011 through September 30, 2012

State Accounts (as of June 30, 2012)

Cities:

City of Alexandria*

City of Bristol

City of Buena Vista

City of Charlottesville

City of Charlottesville (Turnover) as of September 30, 2012

City of Colonial Heights

City of Covington

City of Danville

City of Emporia

City of Fairfax

City of Franklin

City of Fredericksburg

City of Hampton*

City of Harrisonburg

City of Hopewell

City of Newport News

City of Newport News

City of Norton

City of Petersburg

City of Poquoson

City of Radford

City of Richmond*

City of Salem

City of Staunton

City of Virginia Beach

City of Waynesboro*

City of Williamsburg

Counties:

County of Accomack
County of Albemarle
County of Alleghany*
County of Amelia
County of Amherst*
County of Appomattox
County of Arlington
County of Bath
County of Bland
County of Botetourt
County of Brunswick*
County of Buchanan
County of Buckingham
County of Caroline
County of Carroll
County of Charles City
County of Charlotte
County of Chesterfield*
County of Clarke*
County of Culpeper
County of Cumberland
County of Dinwiddie
County of Essex
County of Fairfax
County of Floyd
County of Fluvanna
County of Giles
County of Gloucester
County of Goochland
County of Grayson
County of Greene
County of Greensville
County of Halifax*
County of Henry
County of Isle of Wight
County of James City
County of King and Queen
County of King George*
County of King William
County of Lancaster
County of Lee
County of Louisa
County of Lunenburg
County of Madison
County of Mathews

County of Mecklenburg
County of Middlesex
County of Montgomery
County of Nelson
County of New Kent
County of Northampton
County of Northumberland
County of Nottoway
County of Orange*
County of Patrick
County of Pittsylvania*
County of Powhatan
County of Prince Edward*
County of Prince George
County of Prince William
County of Pulaski
County of Richmond
County of Roanoke
County of Rockbridge
County of Rockingham
County of Scott*
County of Shenandoah
County of Southampton
County of Spotsylvania
County of Stafford
County of Surry
County of Sussex
County of Tazewell
County of Warren
County of Washington
County of Westmoreland
County of Wise
County of York

General Receivers

Cities:

City of Alexandria for the year ended June 30, 2012
City of Bristol for the year ended June 30, 2012
City of Charlottesville for the year ended June 30, 2012

Counties:

County of Arlington for the year ended June 30, 2012
County of Buchanan for the year ended June 30, 2012
County of Lee for the year ended June 30, 2012

County of Loudoun as of June 30, 2012*
County of Russell for the year ended June 30, 2012
County of Sussex for the year ended June 30, 2012
County of Washington for the year ended June 30, 2012
County of Wise/City of Norton as of June 30, 2012

Magistrates

Counties:

County of Buchanan – July 1, 2011 through June 30, 2012

Combined General District

Counties:

County of Buchanan - July 1, 2011 through June 30, 2012
County of Giles – July 1, 2011 through June 30, 2012*

*Denotes management control finding