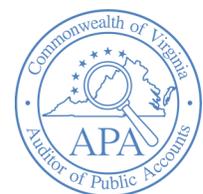




JOINT LEGISLATIVE AUDIT
AND
REVIEW COMMISSION

QUARTERLY REPORT SUMMARY
OCTOBER 1, 2018 THROUGH DECEMBER 31, 2018

Auditor of Public Accounts
Martha S. Mavredes, CPA
www.apa.virginia.gov
(804) 225-3350



QUARTERLY REPORT SUMMARY – OCTOBER 1, 2018, TO DECEMBER 31, 2018

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 October 1, 2018, to December 31, 2018. 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

Higher Education Comparative Report

The Higher Education Comparative Report for fiscal year 2017 is the first issuance of a planned yearly report that analyzes financial information of Virginia’s four-year public institutions of higher education. The report uses ratio analysis to provide a basis for understanding the differences in financial activity at each institution and how changes in activity reflect each institution’s operating philosophy. Additionally, the report includes analysis of year-to-year trends to help illustrate the impact of micro and macroeconomic impacts on each institution’s financial stability. Access the [Full Report](#) on our website.

Review of Chapter 759/769 Bond Issuance Limit

This is the second annual report to satisfy the requirements in Chapters 759/769 of the 2016 Acts of Assembly, Items 10 and 11, by reviewing the annual debt issuance limit established by this legislation and determining compliance with the conditions for the initial release of funding. We found that the Six Year Capital Outlay Advisory Committee is properly monitoring the \$300 million annual debt limit and the Chapters 759/769 project expenditures, totaling \$57.2 million, did not exceed the limit during fiscal year 2018. Additionally, the Departments of General Services and Planning and Budget properly submitted quarterly reports during fiscal year 2018 on the status of the completion of the General Assembly Building project to the House Appropriations and Senate Finance Committees. Access the [Full Report](#) on our website.

Agency Reports

Department of Emergency Management – Audit of Select Federal Programs

Our audit of the [Department of Emergency Management](#) focused on federal grants management and compliance requirements over the Emergency Management Performance Grant and Homeland Security Grant federal grant programs for the year ended June 30, 2018. We performed this work in support of the Commonwealth’s Single Audit.

Our report includes five recommendations including continuing to strengthen time and effort reporting, improving controls over journal entries and payroll adjustments, improving the process

for allocating overhead costs, and strengthening internal controls over procurement. As a result of these findings, we reported \$716,000 in federal questioned costs primarily due to a lack of documentation and elected to qualify our opinion on both federal programs because of the collective effect of the internal control weaknesses on the federal program and resulting instances of material non-compliance.

Department of Fire Programs

The Auditor of Public Accounts performed an Internal Control Questionnaire Review of the [Department of Fire Programs](#) (Fire Programs) as of August 2018. We normally communicate the results of these reviews through a letter to management. However, because the results of our review of Fire Programs were more significant than would typically be communicated in the standard letter to management, a full report was deemed necessary. We determined that Fire Programs does not have a sufficiently strong internal control environment. The lack of a strong control environment is a major factor leading to the internal control concerns noted and recommendations made in 13 different areas of the agency.

Higher Education Institution Reports

Norfolk State University

Our audit of [Norfolk State University](#) for the year ended June 30, 2018, found the University should continue to address prior year recommendations related to the University's information security program. Our report includes the status update of the five findings related to information technology (IT) that were included in the 2017 audit report. Additionally, our report includes new recommendations related to fixed asset inventory and employment eligibility. Our audit also included an audit of the Student Financial Aid program, which resulted in three reported recommendations.

University of Virginia

Our audit of the [University of Virginia](#) for the year ended June 30, 2018, found the University's Academic Division should continue to strengthen its security awareness training program, although the University has made satisfactory progress in this area from the prior fiscal year. Additionally, the Academic Division's IT department should improve oversight over the internal controls at third-party information technology service providers and improve security over a database that houses important University information. Also, the Academic Division should improve its process for recognizing revenue on certain grants, and improve policies and procedures related to certain federal student aid processes.

The University of Virginia's Medical Center should continue to improve its Information Technology risk management process and documentation, and should continue to improve oversight over its IT service providers. The Medical Center should strengthen controls and policy around its Wireless Local Area Network and improve segregation of duties in its patient accounting, billing, and

management system. Lastly, the Medical Center should examine its bank reconciliation policies and procedures and streamline its current process to improve its efficiency and effectiveness.

Virginia Commonwealth University

Our audit of [Virginia Commonwealth University](#) for the year ended June 30, 2018, found the University should continue to improve its IT continuity planning by completing a business impact analysis of its essential and non-essential business functions. Also, the University should confirm monthly retirement benefit system information timely and make related payments promptly. Additionally, the University should strengthen controls around wage employees to ensure compliance with the maximum hour requirements for non-benefit wage employees specified in Chapter 2 of the 2018 Virginia Acts of Assembly. Lastly, the University should improve its accuracy in reporting enrollment data to the National Student Loan Data System (NSLDS) and in reporting state aid in the U.S. Department of Education's Fiscal Operations Report and Application to Participate (FISAP).

Other Reports

During the quarter, we issued the [2018 Annual Report of the Auditor of Public Accounts](#). This report provides an overview of the more significant activities and results of audits from the past year.

We also issued our report on [Revenue Stabilization Calculations for the year ended June 30, 2018](#), which includes calculations for the Revenue Stabilization Fund as required by Article X, Section 8 of the Virginia Constitution and § 2.2-1829 of the Code of Virginia. As of June 30, 2018, the balance in the Revenue Stabilization Fund was \$283.3 million. During fiscal year 2018, a withdrawal from the fund in the amount of \$272.5 million occurred. A deposit to the Fund was not required based on actual tax collections during the 2016 fiscal year. The General Assembly is required to make a mandatory deposit of \$262.9 million to the Revenue Stabilization Fund in fiscal year 2020 based on fiscal year 2018 certified tax revenues.

In addition, during this quarter we completed our audit of the [Commonwealth's Comprehensive Annual Financial Report](#), issuing an unmodified opinion on the Commonwealth's financial statements.

Finally, we issued our first [Virginia District Court System Statewide Report](#) summarizing the findings from our audit of the District Court System for the fiscal year ended June 30, 2017. This report will allow stakeholders to more readily identify trends in findings across courts and better understand the financial impact of these findings.

Other Activities

Monitoring Accounting and Auditing Standards

During the quarter, our Office reviewed the Draft Data Collection Form 2019-2021 to be used to report the results of single audits of federal funds and provided comments to the U.S. Department of Commerce and the U.S. Office of Management and Budget. 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.

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.

State and Local Groups

Group	Presentation / Training Topic
House Appropriations Committee Retreat	Provided a summary of higher education institutions' compliance with NCAA subsidy requirements outlined in Code of Virginia §23.1-1309 and a report on the status of progress in implementing the JLARC recommendations outlined in §4-9.04 of Chapter 836 of the 2017 Acts of Assembly. Also, discussed the initial issuance of the Higher Education Comparative Report, which we plan to update annually to show trends in higher education financial performance over subsequent fiscal years.
Joint Subcommittee on Local Government Fiscal Stress	Provided an overview of current fiscal stress activity including results from the first year and future refinements to the model; discussed options for addressing fiscal stress in smaller localities; and provided an update on the City of Petersburg.
New Constitutional Officer Training	Presented information on the Compensation Board and the role of the APA.
Senate Finance Committee	Provided an updated on recent APA audits of agencies from the Public Safety Secretariat.

Other Groups

Group	Presentation / Training Topic
American Institute of Certified Public Accountants Government Audit Quality Center Web Event	Discussed major program determination process for single audits as required by the federal government.
Virginia Government Finance Officers' Association Fall 2018 Conference	Provided an update on various local government topics to include reminders on important annual audit and reporting requirements and the comparative report transmittal process; results of the APA's quality control reviews over CPA firms auditing Virginia's local governments; key reminders on the upcoming GASB 75 OPEB implementation; and updates to the APA's fiscal distress monitoring process during 2018.
Virginia Society of Certified Public Accountants KnowledgeNOW Conference	Presented information on the use of big data and data analytics including exploring examples of analysis performed and outcomes; software tools that can be used for performing such analysis; and the impact it can have on making decisions and establishing future strategies.

During the quarter, the Auditor of Public Accounts also participated in a National State Auditor's Association Emerging Issues meeting where the group discussed potential collaboration between state auditor offices for auditing programs such as Medicaid and using more data analytics in audits. Also, we represented the Commonwealth of Virginia at the Single Audit Roundtable meeting in Washington, D.C. At the twice-a-year event, Federal officials, a representative from the National State Auditors Association, representatives from all the major accounting firms, and representative from a few state audit organizations exchange ideas, problems, solutions, and best practices for performing Single Audits of federal programs.

SUMMARY OF REPORTS ISSUED

This Office released the following reports during the period October 1, 2018, to December 31, 2018. 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 Information Security and Travel and Small Purchase Charge Card Expenses – for the year ended June 30, 2017*
Virginia Lottery for the year ended June 30, 2018*
Virginia Retirement System for the year ended June 30, 2018

Executive Departments

Administration

Department of General Services' Division of Real Estate Services for the year ended June 30, 2018*
Department of Human Resource Management Internal Control Questionnaire Review Results as of June 2018*
9-1-1 Services Board for the year ended June 30, 2017
State Board of Elections Internal Control Questionnaire Review Results as of August 2018*
State Compensation Board Internal Control Questionnaire Review Results as of July 2018*

Commerce and Trade

Tobacco Region Revitalization Commission for the year ended June 30, 2017
Virginia Biotechnology Research Partnership Authority for the year ended June 30, 2018
Virginia Economic Development Partnership for the year ended June 30, 2018

Colleges and Universities

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

Public Safety and Homeland Security

Department of Corrections – Audit of Select Cycles – for the year ended June 30, 2018*
Department of Emergency Management – Audit of Select Federal Programs for the year ended June 30, 2018*
Review of the Department of Fire Programs as of August 2018*
Virginia Alcoholic Beverage Control Authority for the year ended June 30, 2018*

Veterans and Defense Affairs

Veterans Services Foundation for the year ended June 30, 2018*

Special Reports

2018 Annual Report of the Auditor of Public Accounts
Higher Education Comparative Report – Fiscal Year 2017
Report to the Joint Legislative Audit and Review Commission for the quarter July 1, 2018 through September 30, 2018
Revenue Stabilization Fund Calculations for the year ended June 30, 2018
Review of Chapters 759/769 Bond Issuance Limit—Fiscal Year 2018*
Virginia District Court System for the year ended June 30, 2017*

Clerks of the Circuit Courts

Cities:

Lynchburg – April 1, 2017, through September 30, 2018*
Salem – April 1, 2017, through September 30, 2018*
Virginia Beach – July 1, 2017 through June 30, 2018

Counties:

Accomack – January 1, 2017 through June 30, 2018*
Bland – October 1, 2017 through September 30, 2018
Buckingham as of November 15, 2018❖
Henrico – April 1, 2017 through June 30, 2018
Scott – July 1, 2017 through June 30, 2018
Westmoreland – July 1, 2017 through June 30, 2018*
Wythe as of November 6, 2018❖

State Accounts (For the year ended June 30, 2018)

Cities:

Alexandria*	Falls Church*	Norfolk
Buena Vista	Hampton	Virginia Beach
Charlottesville	Hopewell	
Fairfax	Lexington	

Counties:

Amelia	Caroline	Loudoun
Amherst	Culpeper	Louisa
Arlington	Fauquier	Mecklenburg
Bedford	Fluvanna	Orange
Brunswick	Halifax	Prince William
Campbell	King George*	Rockbridge

General Receivers (For the year ended June 30, 2018)

Cities:

Alexandria*	Lynchburg
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Counties:

Arlington	Lee	Russell
Buchanan (September 13, 2017, through June 30, 2018)	Loudoun	Wise

Combined District Courts (July 1, 2017, through June 30, 2018)

Cities:

Emporia	Franklin*
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Counties:

Amelia	Floyd	Russell*
Bland	Fluvanna	Scott
Buchanan	Greensville	
Cumberland	Powhatan	

General District Courts (July 1, 2017, through June 30, 2018)

Cities:

Alexandria	Petersburg*	Staunton
Bristol	Portsmouth*	Suffolk*

Counties:

Carroll	Northumberland	Washington
Gloucester	Patrick	Wise/City of Norton*
Isle of Wight*	Pulaski	Wythe
Lancaster	Rockingham	
Louisa	Smyth	

Juvenile and Domestic Relations Court (July 1, 2017, through June 30, 2018)

Cities:

Alexandria	Colonial Heights	Petersburg
Bristol	Newport News	Suffolk

Counties:

Appomattox	Northumberland	Smyth
Carroll	Patrick	Tazewell
Gloucester	Pulaski	Washington
Louisa	Roanoke	Wythe
Mathews	Rockingham*	

Magistrates (July 1, 2017, through June 30, 2018)

District 01 – City of Chesapeake

District 02 – City of Virginia Beach*

District 03 – City of Portsmouth

District 04 – City of Norfolk*

District 05 – Cities of Franklin and Suffolk; Counties of Isle of Wight and Southampton

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

District 17 – County of Arlington*

District 18 – City of Alexandria

District 21 – City of Martinsville; Counties of Henry and Patrick

District 26 – City of Winchester; Counties of Frederick, Page, Shenandoah, Rockingham and Warren*

District 28 (and certain counties of Districts 27 and 29) – City of Bristol; Counties of Bland, Russell, Smyth, Tazewell, Washington, and Wythe

*Denotes includes internal control and/or compliance finding

❖ Denotes Turnover Reports