



JOINT LEGISLATIVE AUDIT  
AND  
REVIEW COMMISSION

QUARTERLY REPORT SUMMARY

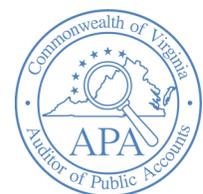
OCTOBER 1, 2019 THROUGH DECEMBER 31, 2019

Auditor of Public Accounts

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## QUARTERLY REPORT SUMMARY – OCTOBER 1, 2019, TO DECEMBER 31, 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 October 1, 2019, to December 31, 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](http://www.apa.virginia.gov/APA_Reports/Reports.aspx).

### *Special Reports*

#### Review of Chapter 759/769 Bond Issuance Limit

This is the third 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 \$132.8 million, did not exceed the limit during fiscal year 2019. Additionally, the Departments of General Services and Planning and Budget properly submitted quarterly reports during fiscal year 2019 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 General Services' Capital Outlay and Maintenance Reserve Project Accounting

This review focused on the Department of General Services accounting and reporting of capital assets resulting from capital outlay and maintenance reserve projects. Overall, our review found that General Services does not have adequate documented policies and procedures over accounting for and reporting capital assets, does not have an evaluation process to determine if costs should be capitalized, does not maintain a detailed schedule of changes to construction in progress, and does not capitalize assets timely. As a result, General Services improperly did not capitalize \$37.9 million in construction and improvement costs incurred from capital outlay and maintenance reserve projects, including the Capital Square Complex and Infrastructure Security project, for fiscal years 2015 through 2018. We made five recommendations for General Services to improve its accounting and reporting of capital assets. Access the [Full Report](#) on our website.

#### Department of General Services' Tenant Project Management Services

This review focused on the Department of General Services' Bureau of Facilities Management's administration of the planning, construction, inspection, and financial management of tenant improvement projects in General Services managed buildings in the Richmond area. Overall, we found

that Facilities Management does not have documented policies and procedures surrounding the project management process. As a result, the processes that are in place do not follow best practices. We evaluated five projects against 12 best practices in the areas of general project manager duties, schedules, budgets, communications, and documentation. We found that two projects did not follow any of the 12 best practices, two projects did not follow 11 out of 12 best practices, and one project did not follow 10 out of 12 best practices. We made 14 recommendations to increase the efficiency and effectiveness of Facilities Management’s project management process and align the process with best practices. Access the [Full Report](#) on our website.

### Virginia Commission for the Arts

The Auditor of Public Accounts conducted two separate reviews of the [Virginia Commission for the Arts](#) (Commission): a performance audit of the Commission’s transfer payments for the fiscal year ended June 30, 2018, and an Internal Control Questionnaire review of the Commission’s fiscal and administrative processes as of May 2019. Results of these reviews are generally reported in either a comprehensive report or a letter to management, respectively. However, because of the significance and overlap of the issues identified during these reviews, this combined special report was prepared. During both reviews, we determined that the Commission does not have a sufficiently strong internal control environment over their operations. In addition, we determined the Commission is not in compliance with state and federal regulations when administering the pass-through of grant funds. The underlying cause of these issues is management’s lack of knowledge of statewide requirements over critical business processes.

### Higher Education Institution Reports

#### University of Virginia

Our audit of the [University of Virginia](#) for the year ended June 30, 2019, found University’s Academic Division Information Technology Department should continue to strengthen its security awareness training program, although the University has made satisfactory progress in this area from the prior fiscal year. In addition, the University’s Human Resources Office (HR Office) should improve segregation of duties controls over their payroll and human resources system; improve their process for terminating access to the Commonwealth’s retirement benefits system; and ensure the reconciliation of the Commonwealth’s retirement benefits system is completed. Further, the University’s Payroll Department should improve the timesheet approval process. Also, the University’s Department of Policy, Risk Management, and Compliance should develop policies and procedures to ensure compliance with the Conflict of Interest Act requirements. Finally, the University of Virginia’s Medical Center should continue to improve segregation of duties in its patient accounting, billing, and management system, although the Medical Center has made satisfactory progress in this area from the prior fiscal year.

## *Other Reports*

During the quarter, we issued the [2019 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, 2019](#), which includes calculations as required by Article X, Section 8 of the Virginia Constitution and Section 2.2-1829 of the Code of Virginia. As of June 30, 2019, the balance in the Revenue Stabilization Fund was \$289.3 million. During fiscal year 2019, no withdrawal from the Fund occurred. A deposit to the Fund was not required based on actual tax collections during fiscal year 2017. The General Assembly is required to make a mandatory deposit to the Revenue Stabilization Fund in fiscal year 2020 and 2021 based on fiscal year 2018 and 2019 certified tax revenues, respectively.

In addition, we issued our first report on [Revenue Reserve Fund Calculations for the year ended June 30, 2019](#), which includes calculations as required by Section 2.2-1831.3 of the Code of Virginia. As of June 30, 2019, the balance in the Revenue Reserve Fund was \$502.6 million. The balance of the Fund does not exceed the maximum fund allowed. A deposit to the Fund is not required during fiscal year 2021 based on certified tax revenues for fiscal year 2019. A fiscal year 2020 deposit of \$222.8 is planned pursuant to Chapter 854, 2019 Acts of Assembly. Additionally, the Comptroller included an assigned fund balance of \$270.8 million within the 2019 General Fund Preliminary Report for a future voluntary deposit into the Fund.

Finally, 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.

## **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
<b>AICPA*</b>	Exposure Draft: <i>Amendments to AU-C 800, 805, and 810 to Incorporate Auditor Reporting Changes from SAS No. 134</i>
<b>AICPA*</b>	Exposure Draft: <i>Audit Accounting Estimates and Related Disclosures</i>
<b>AICPA*</b>	Invitation to Comment: <i>Materiality Considerations for Attestation Engagement Involving Aspects of Subject Matters that cannot be Quantitatively Measured</i>
<b>GASB**</b>	Exposure Draft: <i>Replacement of Interbank Offered Rates</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, the Auditor of Public Accounts and project manager for our audit of the Department of Medical Assistance Services participated in an Emerging Issues Meeting in Denver, Colorado, sponsored by the National State Auditors Association (NSAA). The meeting was held to discuss the requirements that the Centers for Medicare and Medicaid Services included in the U.S. Office of Management and Budget Compliance Supplement, whether the requirements are appropriate for auditing the Medicaid program, and the impact of the delay in providing the guidance on auditors. Participants also discussed issues related to the Single Audit of federal funds, including concerns about areas where it is not meeting the needs of federal agencies.

In addition, the Auditor of Public Accounts and project manager for our Single Audit of federal funds participated in a Single Audit Working Group with several other state audit organizations and representatives from the National Association of State Auditors, Comptrollers, and Treasurers (NASACT), AICPA, Government Accountability Office, and several federal inspector generals. The purpose of this working group is to look for ways to improve the Single Audit process so that it is more useful for the users and to ensure sufficient guidance is provided to auditors.

During the quarter, we also participated in the activities of various state, local, and other groups including providing information on a variety of topics and attending events as highlighted on the following page.

Group	Presentation / Training Topic
Fiscal Officers of Colleges and Universities State Supported	Provided an overview of the Auditor of Public Accounts (APA) work plan, staffing related to upcoming college and university audits, common findings and results, and considerations related to new standards and fiscal year 2020 audits.
New Constitutional Officer Training	Presented information on the Compensation Board and the role of the APA.
New Legislator Training	Presented information to new members of the House on the role and responsibilities of the Office of the Auditor of Public Accounts.
Virginia Government Finance Officers' Association Fall 2019 Conference	Provided an update on various local government topics including reminders on important fiscal year 2019 audit and reporting requirements for areas specific to the Office's Audit Specifications, the Uniform Financial Reporting Manual, and the comparative report transmittal process; important changes resulting from the 2019 legislative session that affect local governments' financial reporting; overview and results of the Office's quality control reviews over firms auditing Virginia's local governments; and updates on the Office's annual local fiscal distress monitoring process.
Virginia Law Enforcement Sheriff's Conference and Virginia Sheriff's Institute New Sheriff Orientation	Presented information on best practices in accounting, requirements related to handling state funds, audit procedures and issues, and frequent audit findings.

## SUMMARY OF REPORTS ISSUED

This Office released the following reports during the period October 1, 2019, to December 31, 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

Virginia Lottery for the year ended June 30, 2019\*

#### Executive Departments

##### Administration

Department of General Services' Bureau of Real Estate Services for the year ended June 30, 2019  
Review of the Department of General Services' Capital Outlay and Maintenance Reserve Project  
Accounting – November 2019\*

Review of Department of General Services' Tenant Project Management Services – October 2019\*

##### Commerce and Trade

GENEDGE Alliance Internal Control Questionnaire Review Results as of June 2019\*  
Virginia Economic Development Partnership for the year ended June 30, 2019

##### Education

Library of Virginia Internal Control Questionnaire Review Results as of July 2019\*  
Virginia Commission for the Arts – October 2019\*

##### Colleges and Universities

University of Virginia for the year ended June 30, 2019\*

##### Public Safety and Homeland Security

Department of Forensic Science Internal Control Questionnaire Review Results as of  
September 2019\*

Virginia Alcoholic Beverage Control Authority for the year ended June 30, 2019\*

## Special Reports

2019 Annual Report of the Auditor of Public Accounts  
Cycled Agency Transfer Payment Review – Fiscal Year 2018\*  
Report to the Joint Legislative Audit and Review Commission for the quarter July 1, 2019 through September 30, 2019  
Revenue Reserve Fund Calculations for the year ended June 30, 2019  
Revenue Stabilization Fund Calculations for the year ended June 30, 2019  
Review of Chapters 759/769 Bond Issuance Limit – Fiscal Year 2019

## Clerks of the Circuit Courts

### Cities

Lynchburg – October 1, 2018 through September 30, 2019\*  
Staunton – July 1, 2018 through June 30, 2019  
Suffolk – April 1, 2018 through September 30, 2019  
Winchester – April 1, 2018 through June 30, 2019  
Winchester – as of September 30, 2019❖

### Counties

Augusta – as of November 15, 2019❖  
Bedford – as of October 31, 2019❖  
Botetourt – April 1, 2018 through September 30, 2019\*  
Brunswick – April 1, 2018 through September 30, 2019  
Caroline – July 1, 2018 through September 30, 2019\*  
Chesterfield – July 1, 2018 through June 30, 2019  
Clarke – January 1, 2018 through June 30, 2019\*  
Frederick – April 1, 2018 through September 30, 2019\*  
Lancaster – October 1, 2017 through June 30, 2019\*  
Middlesex – January 1, 2018 through September 30, 2019\*  
Montgomery – July 1, 2018 through September 30, 2019\*  
Page – January 1, 2018 through June 30, 2019\*  
Southampton – July 1, 2018 through June 30, 2019  
Wythe – January 1, 2018 through June 30, 2019  
York/City of Poquoson – January 1, 2018 through September 30, 2019

General District Courts (July 1, 2018 through June 30, 2019)

Cities

Bristol  
Chesapeake\*  
Portsmouth\*

Staunton  
Waynesboro  
Winchester

Counties

Accomack  
Amherst  
Appomattox  
Arlington  
Augusta  
Chesterfield

Culpeper  
Frederick  
Mathews\*  
Middlesex\*  
Northampton  
Page

Smyth  
Tazewell  
Washington  
Wise/City of Norton\*  
Wythe

Combined District Courts (July 1, 2018 through June 30, 2019)

Cities

Buena Vista  
Emporia  
Lee

Radford  
Salem  
Radford

Counties

Alleghany  
Buchanan  
Craig  
Dickenson  
Floyd

Goochland  
Greensville  
Russell  
Scott  
Southampton

Juvenile and Domestic Relations Courts (July 1, 2018, through June 30, 2019)

Cities

Bristol  
Staunton

Waynesboro  
Winchester

Counties

Appomattox	Frederick	Roanoke
Augusta	Lee	Smyth
Caroline	Louisa	Tazewell
Chesterfield	Page	Wise/City of Norton
Clarke	Patrick	Wythe

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

Cities

Buena Vista	Hopewell*
Colonial Heights	Lexington
Falls Church	Williamsburg*
Fredericksburg	

Counties

Accomack*	Fluvanna	Lunenburg	Pulaski
Albemarle*	Franklin	Mathews*	Rockbridge
Appomattox	Gloucester	Mecklenburg	Spotsylvania
Arlington	Hanover	Nelson	Stafford
Buchanan	James City*	Northampton*	Surry
Charles City	King George*	Northumberland*	
Chesterfield	Lancaster*	Orange	
Culpeper*	Loudoun	Prince Edward	

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

Cities

Lynchburg

Counties

Arlington	Russell
Arlington ❖	Wise/City of Norton
Buchanan*	

## Magistrates (July 1, 2018, through June 30, 2019)

### Districts

District 1 – City of Chesapeake

District 5 – Cities of Franklin and Suffolk; Counties of Isle of Wight and Southampton

District 17 – City of Falls Church; County of Arlington

District 28 – City of Bristol; Counties of Bland, Russell, Smyth, Tazewell, Washington, and Wythe

District 30 – City of Norton; Counties of Buchanan, Dickenson, Lee, Scott, and Wise

\*Denotes includes internal control and/or compliance finding

❖ Denotes turnover reports with varying dates