APA

Auditor of Public Accounts

COMMONWEALTH OF VIRGINIA

APA serves Virginia citizens and decision-makers by providing unbiased, accurate information and sound recommendations to improve accountability and financial management of public funds.

2007 Report to the General Assembly

OVERVIEW

Improving accountability and reducing the risk of loss is one of the fundamental responsibilities of auditors in the government sector.

This annual report shows the actions this Office is taking to not only report the need to improve accountability and reduce risk, but to continue our efforts after the audit to effect change. The report highlights that we continue to address issues at more than just one agency.

Making sure that agency management understands the risk of loss and wants to address the risk does not always complete the auditor's task of improving accountability. Improving accountability often requires the efforts of several agencies, the administration, or the joint cooperation of all the branches of government of the Commonwealth of Virginia.

RISK

Our report on the Commonwealth's ***Information Security Programs*** resulted in the following headline in the Richmond Times-Dispatch and similar headlines throughout the Commonwealth of Virginia. The General Assembly, in requesting the audit, recognized a need for a statewide review and solution.

> **Va. report: Sensitive data put at risk**
> ***Auditor says most state agencies have inadequate, porous security programs***
>
> *Richmond Times-Dispatch December 13, 2006*

RESULT

This report resulted in legislation requiring the Executive, Legislative, and Judicial Branches of government to develop a Commonwealth-wide information security policy and practice. As a result, we are working with the Commonwealth's Chief Information Officer and a working group to help implement this legislation. We have also expanded our audits to include continuous review and reporting of our evaluation of agency implementation of security and its effectiveness.

The Office continues to experiment with mechanisms to improve communication and address our review of accountability issues, especially those that extend beyond a single agency. This report discusses some of the reports from the past year in which we address issues affecting more than one agency. As shown above, we first address the risk issue within the report, and then whether the entities are mitigating those risks. In some cases, the entities are working on addressing the risk.

This annual report will, as the Overview indicates, discuss how the Office reports issues and then helps to ensure their resolution. The key to reporting issues and working on their resolution is teamwork, both within our Office and with the agency.

The Commonwealth Must Improve Information Security

Our specialty team structure helps identify and deal with issues that involve more than one team, and one team can also draw on the resources of the entire Office. Our Review of Information Security required our Information Systems Security Team to involve over 50 other individuals within our Office. Using their knowledge of the various agencies, these individuals were able to quickly gather and complete the initial assessment of the agencies' information security programs. Below are the highlights of this report.

REVIEW OF INFORMATION SECURITY

The information security programs in the agencies and institutions of the Commonwealth are generally inadequate and do not address the business needs to adequately control information as well as risks associated with not controlling information. The Commonwealth, however, has several agencies and institutions, such as the Departments of Taxation and General Services and the three largest institutions of higher education, University of Virginia, Virginia Commonwealth University, and Virginia Polytechnic Institute and State University, which provide working models of the best practices of information security programs.

All state agencies and institutions have some type of security over their information technology infrastructure and systems. The security, in most cases, provides coverage over information existing within the agency. Further, almost all agencies and institutions have at least some plan to recover from a disaster; however, this plan does not always extend to how and under what circumstances.

The Auditor of Public Accounts has been conducting security reviews of financial system for over a decade and reporting our findings. This review's results are consistent with our previously reported findings. With the exception of smaller agencies without financial systems, we have previously issued or commented on all the agencies with either no or inadequate information security programs.

In reviewing the results, the reason for inadequate information security programs in the larger agencies, when considering either number of employees or agency budget, appears to center around the resolution of who has responsibility for the infrastructure between the Virginia Information Technologies Agency (VITA) and the agency. The large institutions of higher education with inadequate programs typically do not have the managerial placement of the program at the appropriate level for the organization, and this also occurs sometimes in other agencies.

Overall, the Commonwealth's standards address most of the components found in the best practices. The difference between the Commonwealth's standards and the best practices, to the most part, occurs within the processes of the components.

We believe the large agencies and institutions can address our recommendations without significant operational changes. However, the Commonwealth will need to develop and implement a process to provide information security programs for smaller agencies and institutions.

Finally, the General Assembly may wish to amend the Code of Virginia to provide for the audit of information security programs, rather than focusing solely on databases and data communications. The current statute does not address the real risk to the Commonwealth.

Actions Taken and Continuing

Senator Jay O'Brien, who introduced the study resolution directing this review, sponsored Senate Bill 1029 during the 2007 Session of the General Assembly, which clarified the responsibilities of the Chief Information Officer for information security. This legislation expanded the Commonwealth's information security focus from only databases to all forms of electronic information and required the Chief Information Officer to coordinate and develop information security policies and procedures for all three branches of government, independent agencies and institutions of higher education.

Shortly after the release of the report, the Governor issued Executive Order 43 (2007) directing the Secretary of Technology to coordinate and oversee all efforts within the executive branch to protect sensitive personal data. Many of the actions taken by the Secretary of Technology followed the requirements of the legislation, but did not include all branches of government.

In addition to the passage of the legislation and the executive order, the Chief Information Officer appointed a new Chief Information Security Officer, who formed a group of agency Information Security Officers for the purpose of getting input on security risks facing the Commonwealth and developing best practices that agencies can implement. Our Specialty Team Leader for Information Systems Security is working with this group to identify risks and appropriate responses. Additionally, we have changed our audit approach to build on this group's work and follow up on our previous work.

Further, as we will discuss later, we have recognized that a number of smaller agencies do not have the resources to address the security concerns in our report and have recommended the creation of an administrative organization to provide those services.

Communication is the Auditor's Most Important Tool to improving accountability and reducing risk of loss.

The Office began using risk ***ALERTS*** this year to communicate certain audit findings and suggested methods of resolution. We issue ***ALERTS*** when highlighting circumstances that require intervention beyond just the management of the audited agency. These circumstances may require a solution from more than one agency, or require actions by a Secretary or multiple members of the Cabinet.

We envision that ***ALERTS*** will reduce risk to the Commonwealth, can improve the overall efficiency of a segment of government or improve efficiency within an agency beyond the normal

accounting controls and processes. By using ***ALERTS***, we are informing all of the affected parties of what they need to do to address the issue.

Following are several of the ***ALERTS*** we have issued in the past year that provide examples of the wide-ranging issues and concerns for which we use them. We believe the use of ***ALERTS*** has significantly improved our ability to help bring the right parties together to improve accountability in the Commonwealth.

Commonwealth Agencies Need to Understand Their Computer Network Risks

The Virginia Information Technology Agency (VITA) and various agencies need to jointly address a number of infrastructure security issues. Our Office issued the following risk alert for the Compensation Board; the Departments of Accounts; Health, Taxation; Treasury; and Mental Health, Mental Retardation, and Substance Abuse Services.

Security Risk Assurance for Infrastructure

These agencies have responsibility for the security and safeguarding of all of their information technology assets, systems, and information. Over the past three years, the Commonwealth has moved the information technology infrastructure supporting these databases to the Virginia Information Technologies Agency (VITA). In this environment, VITA and the Executive Secretary clearly share responsibility for the security of each agency's information technology assets, systems, and information and must provide mutual assurance of this safeguarding.

The agencies have provided VITA with all the documentation required to make this assessment. However, VITA has not been able to provide the agencies with assurance that they can provide hardware and software configurations that satisfy these requirements and appropriate controls to secure information technology assets, systems, and information.

Therefore, these agencies cannot fulfill their responsibilities stated in the state policy, which puts its information technology assets, systems, and information at risk. As such, VITA needs to provide assurance to these agencies that appropriate security is available to meet their information security requirements.

Smaller Agencies Need Administrative Assistance

The following is from our audit of the Department of Minority Business Enterprises which demonstrates the need for administrative assistance. For the past two years, the Department's management has been working to improve operations; however, the agency does not have the expertise to fully correct the problems, nor are the support agencies giving them all the assistance they need.

DEPARTMENT OF MINORITY BUSINESS ENTERPRISES

Improve Service Arrangements between Agencies

The Auditor of Public Accounts has advocated that smaller agencies, which do not have the resources or staff, use larger agencies for business functions, such as accounting, budgeting, information security or personnel resources. These arrangements allow the smaller agencies to concentrate on providing program services and eliminate unnecessary personnel costs and resources dedicated to administrative functions.

During an audit, we review the arrangements between agencies and the internal controls surrounding financial transactions, payroll, fringe benefits, and information security. We have found circumstances where these arrangements are not providing or improving internal controls. In some circumstances, we have found that the arrangement may contribute to actually weakening internal controls.

Smaller agencies do not have the staff expertise or resources to process financial transactions, personnel and payroll, procurement, and other administrative processes, such as implementing an adequate information security program, and maintain adequate separation of functions for basic internal controls. Loss of one person can, and does in many of these agencies, compromise the internal control structure and knowledge base needed to handle key transactions and duties. Therefore, the use of larger agencies with sufficient staff and resources provides needed internal controls and management oversight of public resources.

Further, change in agency leadership may result in having leaders without knowledge of state processes, standards, regulations, and laws. Agency leadership without an understanding of this essential information could enter into agreements or contracts that are not in the best interest of the agency or the Commonwealth.

In many cases, the service arrangements are ad hoc agreements to provide services where neither the service provider nor the agencies have a clear understanding of what they need. The intended purpose of these arrangements is to provide expertise, oversight, and direction, where small agency management may neither possess nor understand the importance of internal controls or have the necessary financial management expertise.

Our audits have indicated that in some circumstances these service arrangements are providing no oversight or internal controls for the smaller agency. The service providers are simply processing the paperwork without any managerial review of the transactions. This situation does not improve the Commonwealth's or the smaller agencies' handling of state funds and compliance with applicable state policies and procedures.

In addition, our review of information security in the Commonwealth revealed that most small agencies do not have the resources, expertise, or funding to develop and implement adequate information security programs that protect their critical and sensitive data.

We believe that the Secretaries of Administration, Finance, and Technology should work with the Departments of Accounts, General Services, Planning and Budget, and Human Resource Management, and the Virginia Information Technologies Agency (VITA) to develop and implement an administrative agreement for all back office operations, including information security, managerial oversight and internal controls, for agencies requiring administrative assistance or

establish a central back office operation to provide these functions. The current arrangements do not provide a cohesive process which addresses the true operations of an administrative unit. For example, purchasing depends on budget availability, understanding of state contracting practices, contract management, and ultimately the payment and recording of the purchase.

We believe that Secretaries need to address the needs of smaller agencies as an arrangement of outsourcing the entire administrative function rather than the paper processing of groups of transactions. We believe that this approach will improve the operational efficiency of these agencies. However, we do not believe that the Commonwealth will recognize any saving in either personnel or cost, since the smaller agencies are using marginal resources with marginal results.

We also recognize that leaders of the smaller agencies will resist this type of change, however, the Commonwealth will greatly improve its internal controls and gain risk management benefits.

Update on Prior Year Recommendations

The Department of Minority Business Enterprise (Department) has made progress in improving its operations and management has taken a number of actions to address the internal control issues, however, the current structure within which management operates and limited resources restricts their ability to fully resolve the matters raised. We therefore continue to find many of the same problems with internal control and compliance during fiscal year 2006 that we discussed in prior reports.

We did not repeat each of the findings included in the two previous fiscal year reports because, as of October 2006, the Department of General Services (General Services) assumed responsibility for the fiscal functions of the Department. Although we have noted some improvements in the Department's fiscal operations since General Services took on these responsibilities, internal control weaknesses continue to exist. We recommend, as stated above, that the Department work with General Services as well as other service-providing agencies to establish arrangements that outsource the entire fiscal function, rather than simply outsourcing transaction processing.

Actions Taken and Continuing

The Secretary of the Administration has taken the lead on developing this concept with the Secretaries of Finance and Information Technology. The Secretary of Finance has indicated that the Governor may undertake this initiative as a means of cost cutting and increasing government efficiency.

Improve Oversight of Recipient Eligibility

For several years, our Office has addressed the need to improve the oversight of recipient eligibility in the Medicaid program. The Department of Medical Assistance Services had attempted to change and improve the process multiple times; however, they could not get the Department of Social Services to alter its process of overseeing their eligibility verification procedures. In our last audit of both the Departments of Medical Assistance Services and Social Services, we issued the following Risk Alert.

DEPARTMENTS OF MEDICAL ASSISTANCE SERVICES & SOCIAL SERVICES

Evaluate the Adequacy of the Eligibility Determination Process

During the course of our audits, we encounter issues which are beyond the corrective action of management and requires the action of either another agency, outside party, or the Commonwealth to change its method by which it conducts its operations. The following matter represents a risk to the Department of Medical Assistance Services (DMAS), but the DMAS must rely on the Social Services and the Local Departments of Social Services.

Ensuring that only eligible recipients receive benefits is a critical control and compliance issue facing the Department. The Code of Virginia requires the DMAS to contract with the Virginia Department of Social Services (Social Services) to determine which individuals are eligible to participate in the Medicaid program. The DMAS pays Social Services just over $50 million annually for this service.

Social Services uses its network of Local Departments of Social Services to determine an individual's Medicaid eligibility. Social Services provides Local Departments of Social Services employees training and an automated system controlled by Social Services to assist in determining eligibility. Local Departments of Social Services are units of the local government they serve and Social Services uses the funding from the DMAS to pay the local governments for this service.

DMAS, Social Services, and the Local Departments of Social Services clearly share responsibility for determining eligibility for the Medicaid program. However, the federal government holds DMAS as the Commonwealth's administrator of the Medicaid Program, as the ultimate party responsible if ineligible individuals use the program.

The federal government would require DMAS to reimburse the program for both the federal and state share of any of the program's costs that are spent on an ineligible participant. Since DMAS has no independent funding stream, this situation would result in additional costs to the Commonwealth's General Fund. Depending on the circumstances, the Department could attempt to retrieve the payments from an external party, however, this is unlikely. This means that eligibility errors made by Local Departments of Social Services could require the Department to make payments to the federal government. Currently, beyond the specific limited reviews required by the federal government there is no ongoing systematic process for evaluating how good Local Departments of Social Services are at determining eligibility.

DMAS and Social Services are seen as equal entities within the structure of the state government, which prevents DMAS from managing its agreement with Social Services as it would with an external vendor providing eligibility determination services. Furthermore, neither DMAS nor Social Services believe that they have the authority or the ability to hold the Local Departments of Social Services financially accountable for not performing.

The federal government does not specifically require the Commonwealth to do an ongoing systematic review of its eligibility determination process and does not provide incentives for completing such reviews. The federal government has not established an acceptable error rate for the Medicaid program, therefore the Department is required to cover the cost of every ineligible person identified in the program, even if there was no fraud or other deceit. These inactions by the federal government do not encourage the Commonwealth to develop an ongoing process for

monitoring and evaluating the effectiveness of controls surrounding the eligibility determination process.

The forced relationship between DMAS, Social Services and Local Departments of Social Services puts the Medicaid program and the Commonwealth at risk that ineligible participants could enter the program and go undetected due to the failure of Local Departments of Social Services to properly determine eligibility. The Commonwealth needs to allow the managers of the Medicaid program to take cross-organizational actions to ensure the highest level of accuracy in ensuring participant eligibility.

Actions Taken and Continuing

DMAS and Social Services have an agreement that as part of the DMAS review of payments, there will be an independent review of recipient eligibility. As part of the Medicaid program, DMAS must conduct a review of its payment methods and DMAS meets this requirement by using a contractor to verify the accuracy of Medicaid payments. As part of this payment contract, DMAS has the contractor take a sample of people eligibile for the program and determine that the Local Social Service Departments are properly determining eligibility. The contractor reports any errors to Social Services, who must resolve the differences. Quarterly, the DMAS contractor reports all of the information to DMAS and Social Services including the number of errors and their resolution as well as all outstanding issues.

Not Setting and Meeting Deadlines Can Create Federal Funding Problems

The Commonwealth received almost $7.9 billion in direct funding from the federal government in fiscal year 2006. Along with these funds, there are compliance requirements that each state agency must meet, and our Office annually audits agencies to ensure they are following federal rules and regulations. Federal law requires that we complete this audit by March 31 of each year and if our Office does not complete the audit by the deadline, this failure places the Commonwealth's future federal funding in jeopardy.

Therefore, timely completion of the audit requires cooperation from all agencies that receive federal funding. In our last audit of the Department of Social Services, we issued the following alert.

DEPARTMENT OF SOCIAL SERVICES

Meeting the Single Audit Deadline of March 31

During the course of completing agency audits for the statewide single audit of federal funds, we encountered an issue that may require the action of another agency, the Department of Accounts. This matter represents a risk to the Commonwealth.

Federal Law requires the completion of single audits of federal funds and submission of the report by March 31. In order to meet this deadline requirement, the coordination and cooperation of both the auditor and all of the Commonwealth's component units is essential.

The Auditor of Public Accounts and State Comptroller have developed a mutual time schedule, which allows for the completion of the audit work within the required deadlines. In recent years, we have encountered several situations in which it was difficult for the auditors to complete the audit test work and draft the report in sufficient time to meet the deadline.

However, certain agencies have begun a process of requesting several meetings to discuss all findings and their implication to their operations. While we appreciate management's interest in the findings, the result of this extensive meeting schedule is threatening our ability to complete and issue the single audit report by the March 31 deadline.

After our experience this year, we are informing the State Comptroller that without the agencies having to meet an accelerated timetable of resolving audit findings, we will not be able to issue the report by the deadline. Our other recommended alternative is having the State Comptroller directly coordinate all discussion of audit findings. We cannot satisfy the number of meetings requested by some agencies to discuss audit findings and at the same time issue the report within the required period.

The only alternative to not having the State Comptroller accelerate the reporting deadlines or coordinating all findings, is issuing a qualified report indicating that not all work is complete. We believe that this action could have an adverse affect on the Commonwealth's federal funding and operation of those programs.

Actions Taken and Continuing

The State Comptroller is working with Social Services' management to coordinate efforts to ensure the Commonwealth meets all of the deadlines to comply with the Single Audit requirements.

Automating Reconciliations Can Save and Improve Internal Controls

Reconciliations are an essential internal control to ensure both the accuracy of individual transactions as well as accurate accumulation and reporting of information. In order to improve the timeliness of information, many organizations use computerized programs and other automated means of performing reconciliations of internal systems. At the Department of Transportation, many of the reconciliations remain a labor intensive manual effort.

DEPARTMENT OF TRANSPORTATION

Efficiency Issues

During our audits, we observe agency practices, processes, or procedures, which we believe management should consider for review to either improve efficiency, reduce risk, increase accuracy, or otherwise enhance their operations. These matters do not require management's immediate action and may require the investment of resources to provide long term benefit.

Improve Controls over Data Systems Reliability

Transportation uses a number of information systems to manage daily operations. Central to these systems is the agency's Financial Management System (FMS). Other systems include the Inventory Management System (IMS), Trns*port, and Fuel Management System (AFMP) and others that feed data into FMS for monitoring, reporting, and payment operations. The systems exchange information, however the completeness and accuracy of information between systems depends heavily on the reconciliation process.

One of the most critical internal control practices that an enterprise performs in order to identify misstatements and ensure accuracy in their financial records is account and system reconciliation. There are three fundamental objectives of performing efficient and timely reconciliations between systems.

- To ensure that both systems contain the same information
- To ensure each system reflects accurate information
- To identify errors or deficiencies so that they may be corrected for the current period and prevented in future periods

Transportation does have a required reconciliation process between the Commonwealth Accounting and Reporting System (CARS) and FMS. Transportation has also identified the need for reconciliations between FMS and both IMS and AFMP, which Transportation has recently implemented.

The Financial Management System also feeds information into CARS, which is the Commonwealth's official accounting record. The reconciliation between these two systems is cumbersome due to the number of transactions. The volume of transactions is not the primary cause for the reconciliation difficulties, but the manual effort required by Transportation to record transactions in FMS.

Transportation must manually record their revenue transactions since there is no automated mechanism to record these entries. Although the reconciliation is overly complex due to the nature of the systems, the process does provide sufficient mitigating controls over the manual revenue recording process, however, the process is not timely.

Transportation has identified a number of deficiencies within the Financial Management System, and has begun addressing some of the system reconciliation needs. In a study to determine the feasibility of an upgrade to this system, Transportation determined that the total cost to fix the issues would require a system upgrade and could cost approximately $30 million.

The Commonwealth is pursuing a state-wide enterprise resource planning system for all agencies, Transportation has decided that it would not be beneficial to pursue its system upgrade and has instead devoted the funds they will have available for the upgrade to the state-wide Enterprise Resource Planning (ERP) effort. When defining deliverables and implementing the future statewide Enterprise Application system, Transportation should consider its needs to easily reconcile all of its supporting systems that will continue in use.

Actions Taken and Continuing

Transportation management, recognizing the need to replace and upgrade its systems, has devoted significant personnel resources to the Commonwealth's Enterprise Application planning process. Transportation management believes that implementation of this system should significantly reduce the time and effort spent in performing reconciliations between systems. Finally, Transportation is taking some limited actions to automate or improve the matching of information to reduce the time necessary to perform some of the reconciliations.

The Auditor also needs to make sure that everyone understands that some solutions may take time.

Following are two examples of reports which identify significant issues which will increase accountability, but require major changes in how the Commonwealth presents its budget and monitors budget execution. The first report highlights that, because of our current budgeting and accounting systems, the Department of Planning and Budget must make a significant number of administrative adjustments and the current systems are too costly to change to show the budget in a different manner.

Part of the reason for the number of administrative adjustments is the various methods by which individual agencies estimate non-general fund revenues. This review will be a two-part study of which the first part accompanies this report.

Both of these reports indicate that the current budgeting and accounting systems require substantial change. Therefore, the reports show the need for the Commonwealth Enterprise Application System.

Commonwealth Must Improve Its Budgeting System To Enhance Transparency

Some processes such as the Commonwealth's budget preparation are more complex and have multiple issues which take time to analyze and understand. In these circumstances, we will try to isolate each of the issues and report on one issue at a time. The Review of the Budget and Appropriation Processing Control System report addresses both the budget process' accounting and controls.

The complexity of some issues requires us to develop a series of reports, which helps the reader understand the nature of the issue and how our Office plans to address the issue. Our Review of the Non-General Fund Revenue Forecasting Process is an example of this approach. The information included in this report is our assessment of the size, nature and complexity of the issue. This report identified issues in the central oversight and direction of the forecasting process. The report we will issue in late 2007 will discuss how individual agencies perform in both revenue forecasting and budget monitoring.

REVIEW OF THE BUDGET AND APPROPRIATION PROCESSING CONTROL SYSTEM

Through the Appropriation Act (Act) and general law, the Governor and the Department of Planning and Budget (Planning and Budget) have certain statutory authority to increase, decrease, or transfer funds and personnel positions during the fiscal year within constraints of the Act. Planning and Budget commonly refers to these budgetary changes as administrative adjustments. Planning and Budget operates a budget system to ensure that agencies conduct their activities within the fund limitations provided in the Appropriation Act, and in accordance with gubernatorial and legislative intent.

Overall, administrative adjustments to the 2005 Acts of General Assembly, Chapter 951 budget resulted in a $3.7 billion increase in the operating budget, a 12 percent increase. These adjustments result for a variety of reasons, some of which are necessary to process General Assembly actions, and we provide more detail on the adjustments by type in this report. These adjustments are within the authority granted to Planning and Budget and the Governor by the General Assembly through the Appropriations Act. As shown in the table below, administrative adjustments resulted in the appearance of close to a $3 billion decrease in the general fund budget and a $6.7 billion increase in the non-general fund budget.

Fiscal Year 2006 Summary of Operating Budget Adjustments

	General Fund	Non-General Fund	Total
Original Budget, Chapter 951	$14,632,160,021	$16,957,490,348	$31,589,650,369
Subsequent legislative amendments	483,591,611	(77,212,678)	406,378,933
Administrative adjustments	(2,921,063,614)	6,669,682,713	3,748,619,099
Adjusted budget, June 30, 2006	$12,194,688,018	$23,549,960,383	$35,744,648,401
Net increase/decrease in original budget	$ (2,437,472,003)	$ 6,592,470,035	$ 4,154,998,032

Our analysis of these administrative adjustments, as well as our experience maintaining budgeting and accounting information on our Data Point website, have brought several budget transparency issues to our attention that we have included in this report. These issues affect the ability of the average citizen to understand where and how the state is using its resources. The most significant of these issues is the transfer of General Funds to other funds that occurs after the budget's approval for programs such as Personal Property Tax Relief. This process makes it difficult to follow the actions of the Governor and General Assembly from the approved budget to the accounting reports. Further, except for individuals familiar with the budget and accounting process, there is a loss of transparency of over $3.1 billion of general funds.

Addressing these budget transparency issues will involve both executive and legislative leadership, and it is important that resolution of these issues occurs before the Commonwealth invests substantial resources in the Enterprise System initiative. Two of the first applications of the Commonwealth's Enterprise System are the Budget Development and Execution, and General

Ledger Accounting modules. The importance of tracking all General Funds from their collection to disbursement should be a high priority of the new system.

Actions Taken and Continuing

The Commonwealth's Enterprise Application System project has identified *Budget Development and Execution* as its first module. The development team is incorporating into the requirements of this module a better way to report the sources and uses of funds, so the budget and subsequent reports can show how the Commonwealth used these monies for their original fund source. Planning and Budget is also working with the Department of Accounts to consider how to show certain restricted activities in future financial reports.

REVIEW OF THE NON-GENERAL FUND REVENUE FORECASTING PROCESS

The Commonwealth divides its revenue sources into two broad categories of funds: general funds and non-general funds. General funds are largely the general taxes paid by individuals and businesses. The Governor and General Assembly determine the use of these funds. Conversely, non-general funds represent a variety of revenues sources, which either the Virginia Constitution or legislation has specifically earmarked to fund certain programs or activities.

More than half of the operating budget of the Commonwealth in any given fiscal year is made up of non-general funds. This review focuses on the revenue forecasting process over non-general funds and will have two phases. This first phase report includes our work to gain an understanding of the forecasting process, including the significant types of non-general fund revenues and who does the forecasting. We also surveyed a sample of agencies to gain an understanding of their procedures and compared them to best practices.

While all agencies and universities must develop revenue forecasts for non-general funds as part of the budget development process, there are certain agencies that are central to the process. These agencies include the Department of Planning and Budget, the Department of Taxation, and the State Council for Higher Education in Virginia.

We found that most of the agencies we surveyed said they followed the basic elements of best practices when preparing their non-general fund revenue estimates. While the overall processes appear consistent with established practices, we did identify the following recommendations Planning and Budget as well as the Secretary of Finance should consider to strengthen the non-general fund revenue forecasting process.

- Consider whether the current forecasting process requires change to allow agencies to update their original revenue forecasts during the year as they become aware of changing circumstances.

- Consider implementing a more comprehensive statewide mechanism for monitoring and reporting on estimated and actual non-general fund revenues throughout the year.

- Prepare updated documentation, referred to as a revenue manual, on significant non-general fund revenue sources and the overall forecasting process.

- Consider providing more guidance to agencies on methodologies and best practices to use when forecasting their non-general fund revenues.

As discussed above, this review will include a second phase with a final report issued by January 2008. The second phase of our review will include a more detailed review of forecasting procedures at Planning and Budget and the individual agencies. We will select a sample of agencies and verify they are following the forecasting procedures outlined in this report. The final phase will also include a more detailed analysis of agency estimates and actual revenue collections, and how the budget development process uses this information.

Actions Taken and Continuing

Planning and Budget is acting on the two interim recommendations of this report. The Secretary of Finance is also monitoring the progress of the second part of this report and the potential impact it may have on future budget development efforts.

Sometimes the Auditor needs to say the organization is heading in the right direction, and warn of potential issues.

Most of our audit reports do not have any findings or recommendations; however, it is often important to state that agency management is on the right track by providing adequate controls in the circumstances. It is also important to highlight any risk that an agency's management may incur based on the actions taken. Under this heading, we have included three reports that show the reader the direction and actions an agency is taking.

VITA Has the Mechanism to Oversee Partnership Agreement

SERVICE MANAGEMENT ORGANIZATION OF THE VIRGINIA INFORMATION TECHNOLOGIES AGENCY

We found that the Service Management Organization of the Virginia Information Technologies Agency (VITA) has established sufficient controls to effectively manage the Comprehensive Agreement between the Commonwealth of Virginia (Commonwealth) and Northrop Grumman (NG) as it progresses through each of three phases. Each phase has its own set of unique management controls to accommodate the environment at the time of the phase.

Current operations payments are for direct material and labor required by NG to manage the existing Commonwealth IT infrastructure. VITA pays NG a premium on its incurred direct labor and direct materials expenses, which complies with the Comprehensive Agreement. The Service

Management Organization has sufficient controls to enable it to adequately review each invoice before payment.

Milestone payments are for the delivery of specified milestones set forth in the Comprehensive Agreement. Each milestone has a unique set of acceptance criteria developed and agreed-upon prior to beginning work. The Service Management Organization has adequate controls in place to ensure that it does not approve a payment until Northrop Grumman meets all mutually agreed to acceptance criteria.

The Service Management Organization contracts with CACI International to review the Partnership's performance in complying with project management best practices, a process known as Independent Verification and Validation (IV&V). The IV&V review generally consists of a review of existing program management policies and procedures as well as a means to validate, objectively, that the project products and services satisfy user needs under defined operating conditions. However, in the case of the Infrastructure Partnership Program, it is important to realize that this IV&V process does not provide third party validation that the NG products or services will satisfy Commonwealth needs.

The delivery of a complete and comprehensive Procedures Manual is one of the most critical deliverables necessary for effective management of the Commonwealth's IT infrastructure during the final phase, which begins in July 2008. The Service Management Organization will not be able to comprehensively monitor NG's performance over service deliverables without a complete and comprehensive set of procedures. This comprehensive Procedures Manual will serve as a basis for measuring and monitoring performance. The Service Management Organization is on track to have those procedures detailed in time to provide sufficient oversight and control over services provided by NG during the post-transition phase.

Actions Taken and Continuing

We will continue to monitor the Service Management Organization's operations and plan to issue a semi-annual report on their performance.

Science Museum Is Making Progress, But There Are Risks

SCIENCE MUSEUM OF VIRGINIA

At the request of the Board of Directors and the Executive Director of the Science Museum, we agreed to conduct a special review of the policies and procedures that management and staff implemented in response to our Special Report issued in August 2006. In conducting this review, we identified the primary transaction and accounting processes and conducted a series of interviews, walk-throughs, analytical reviews and limited tests.

Our review found that management has begun to address issues noted in the special report. We identified several areas that management and the Board need to address.

- Clarification of the status of the Gift Shop operations

- Enforce small purchase charge card procedures
- Document departures from state practice
- Review and establish cash depositing practices
- Data system security and other computer considerations

In reviewing and considering our comments, the Science Museum's Board of Trustees, management, and the report reader need to consider the limitations inherent within the Science Museum's internal control structure. While all systems of internal controls are susceptible to risks of changes in processes, personnel, external factors, and failure of personnel to follow established procedures, certain factors can have a more significant effect on systems of internal controls.

These more significant factors are establishing a system of internal controls that depend on minimal controls due to limited resources, personnel, or system support. While these internal control systems can function effectively, they are subject to critical changes, which can occur with only slight disruption of resources, personnel, or system support. These environments create a system of internal controls that requires diligent oversight and review by management to react to changes in these components.

Actions Taken and Continuing

The Science Museum of Virginia, as the report indicates, has begun implementing the internal and accounting controls recommended in the previous report. However, as the report indicates, the Board of Trustees, along with management, needs to make sure that vacancies in key positions are filled quickly and that staff provide the appropriate level of service to complete important tasks and maintain systems. We will conduct a follow-up review of the Science Museum in the Spring of 2008.

Most System Development Projects Are On Time and On Budget

PROGRESS REPORT ON SELECTED SYSTEM DEVELOPMENT PROJECTS IN THE COMMONWEALTH

This report is our review of Commonwealth systems development projects totaling over $475 million in budget. Included is our first status report on the Virginia's Enterprise Application Project, which has an estimated cost of roughly $300 million and may take seven years to complete.

We audit a number of systems development projects on an on-going basis. The objectives of our audits are to determine that:

- the project manager complies with the Commonwealth's Project Management Standard, as issued by the Virginia Information Technologies Agency; and
- the project remains on time, within budget, and on scope.

Our reviews generally include examining documents including the project charter, project plan, communications plan, and risk mitigation strategies. We regularly attend project meetings to note any issues affecting the project and meet with the project managers to offer suggestions and recommendations based on our experience monitoring implementations throughout the Commonwealth.

Our goal is to detect problems at the earliest possible point and alert decision makers to this information, thereby reducing project failures. During our review process, we also gain an understanding of the system and its controls that will allow us to plan future audit work involving that system.

The purpose of this report is to provide a progress report of selected projects we are actively auditing along with any recommendations we have to improve the project management. Specifically, this report highlights the following systems development projects:

- Virginia Enterprise Application Project (VEAP)
  Office of Governor
- Virginia Election and Registration Information System (VERIS)
  State Board of Elections
- Project New Horizons
  Virginia State University
- Oracle E-Business Suite
  Virginia State Police

For the projects outlined above, this report describes the project activities and their status. We verified the accuracy of this information with all of the agencies; however, since there was no formal audit report published, we did not conduct an exit conference or receive an agency response.

A background and history of all the projects we are currently following is in Appendix B; therefore, we do not repeat the background and history below for each of the highlighted projects except for the Enterprise Applications project. Instead, we focus only on our findings, recommendations, and project response strategies relative to these projects. In addition, the Auditor of Public Accounts website at www.apa.virginia.gov has all historical reports by searching on the specific agency name.

Actions Taken and Continuing

We issue this report semi-annually and provide an on-going review of the major system development effort. Should we note a problem with a project, we will issue either a special stand alone report or incorporate findings in our next audit report.

Ensuring accountability requires the Auditor to point out potential issues and problems.

Periodically, we encounter situations that can lead to the use of public funds which may not be the most effective use of those funds. When we encounter these situations, we have issued reports on

the subject. Recently, we have found that several Circuit Court Clerks are undertaking new systems development and implementations without consideration of the need to provide information to the Supreme Court and other state agencies such as the Departments of Corrections and State Police. Additionally, the Supreme Court is not providing guidance for the development of these systems.

The Supreme Court Should Take the Lead in Systems Development Efforts in the Judicial System including Circuit Courts

VIRGINIA CIRCUIT COURT SYSTEM

An enterprise approach to the development of Circuit Court administrative systems does not exist. No group or agency has the statutory authority to ensure both enterprise-wide data exchange standards and the collaboration of system development efforts among the individual courts. The need to maximize the use of funds is essential since Circuit Court Clerks have significant resources available to begin implementing systems to manage various administrative functions.

Although the Virginia Constitution makes the Chief Justice of the Supreme Court the administrative head of the judicial system, he does not have the statutory authority to coordinate and oversee the development of administrative systems with the Circuit Courts. Additionally, the current statutes are silent as to whether for administrative purposes the individual circuit courts comprise a Circuit Court system which would then allow for the development of an enterprise system. If the Circuit Courts do represent an enterprise, then there is the opportunity to provide uniform system development and data exchange standards.

To maximize the use of available resources, eliminate potential duplication of efforts and system development and improve the oversight of funding usage, a summary of some of our recommendations is below.

- The General Assembly may wish to develop a strategic direction for the use of Technology Trust Funds for systems other than remote land records so the Commonwealth will receive the maximum benefit from the use of these funds.

- General Assembly may wish to clarify the judicial system as a statewide enterprise to help provide direction to future systems and exchange of information.

- The General Assembly may wish to clarify the role of the Supreme Court in the development and implementation of system development and data exchange standards.

- The General Assembly may wish to give the Supreme Court systems development authority over circuit court systems. This authority could allow the Supreme Court to require circuit courts to receive the Supreme Court's approval throughout predefined phases of the implementation process. We recommend the first approval point come after the circuit court produces documentation showing the need for a new system. The second

approval point would come when the circuit court is ready to select a vendor to enter a detailed design phase, which is when they would review the system capabilities, ensure that the court would be able to use the system, and prove that it meets defined data standards. The final approval would come prior to implementing the system, proving the vendor has met requirements set forth in the documentation/contract.

There are other recommendations in our report.

Actions Taken and Continuing

There has been no action taken on this report. The Supreme Court has formed a task force of Circuit Court Clerks to begin formulating a Commonwealth needs assessment.

Auditors can help refine the process and thereby increase accountability.

The Appropriation Act requested that we review the debt capacity models that the various institutions of higher education were developing. We reviewed debt capacity models used in other states and institutions of higher education and determined that the University of Virginia had a model that compared with the best of those examples. We recommended only one potential refinement to this University of Virginia debt capacity model.

Institutions of Higher Education Have Adopted Debt Capacity Models

REVIEW OF DEBT AT STATE SUPPORTED INSTITUTIONS OF HIGHER EDUCATION

Virginia's institutions of higher education have developed unique and independent financial operating models. These institutions also have widely varying levels of fiscal sophistication and financial management. As we have reviewed the debt capacity of various institutions, it is clear that one model, even general in nature, would not provide an effective tool for either the Commonwealth or the individual institutions.

We believe that all institutions should develop and have a debt capacity model to guide their issuance of debt. These models should equally consider both the debt service cost associated with the debt, but more importantly, the effect that debt service can have on mandatory fees and other costs to the students. Historically, Virginia's approach to reviewing debt issuance in many cases only focuses on the project's ability to generate sufficient revenue to pay debt service on the bonds or whether debt service costs will remain below a certain percentage of expenses. These approaches both fail to consider the cost to the student if the project becomes part of the comprehensive cost of attendance or tuition and fees.

The Commonwealth needs to evaluate these various debt capacity models to determine the extent institutions are affecting the Commonwealth's debt capacity and bond rating. Although, the institutions have received exemptions from certain state regulations or laws, their actions continue to

have a direct effect on the Commonwealth. The financial market analysts do not separate the actions of the institutions of higher education from the Commonwealth's overall financial status and bond rating. The use of joint ventures with other organizations also will have an impact on the Commonwealth in the financial markets, if they believe that the Commonwealth will assume a guarantor role in these arrangements.

Recommendations

1. Each institution should develop and use a debt capacity model approved by the institution's Board of Visitors and compliant with the guidelines of the Secretary of Finance and the State Council of Higher Education.

2. The debt capacity model should include a component, which considers the effect of debt service on the cost of attendance.

3. The General Assembly may wish to have the Debt Capacity Advisory Committee review the institutions' debt capacity models and periodically report on how the institutions are using them and their results.

Actions Taken and Continuing

All of the Commonwealth's institutions of higher education have adopted a debt capacity model. The University of Virginia included our suggested refinement in their model and a number of other institutions have used this model as their base model.

Knowledgeable and well-trained Auditors are the best asset an organization can have to maintain accountability and improve operations.

Recognizing that accounting and operational issues continue to evolve and become more complex, the Office created specialty teams to maintain a proficient knowledge of core business processes to audit the Commonwealth's increasingly complex operations.. Since their inception, specialty teams have increased our efficiency and effectiveness. More importantly, specialty teams have contributed to improving the depth and scope of our identification of issues and our ability to assist agencies in resolving issues. These teams' cooperative efforts have led to the use of ***ALERTS*** which represent issues beyond the scope of one agency's management to resolve.

While their cooperative efforts are important, knowledgeable and well-trained auditors are the best asset an organization can have. The reports on the budget process, revenue estimation of non-general fund revenues, the semi-annual systems development update and the work on VITA's partnership show that having knowledgeable auditors is a much better preventative tool which helps control costs rather than incurring costly corrective actions.

Our Specialty Teams Are the Key to Our Success

Following are the objectives of each of the teams. The objectives highlight their areas of concentration and audit work. Following these objectives are the special projects identified in our 2008 work plan submitted to the Joint Legislative Audit and Review Commission.

Every auditor receives fundamental training in auditing, computer, and analytical skills. In addition, there are training sessions to familiarize all the staff in the general skill set of each of the specialty teams. The general specialty skill set training allows the auditor to identify the need for a specialist.

Acquisition and Contract Management

The Acquisition and Contract Management Team supports prudent contracting and administration within the Commonwealth by providing analysis of financial information and best practices relating to contractual matters and the effectiveness, efficiency, and economy of various contractual services to those responsible for procurement and contract administration. The Team takes special interest in monitoring and evaluating long-term contracts such as the Commonwealth Infrastructure Partnership between the Virginia Information Technologies Agency and Northrop Grumman as well as the implementation of the Statewide Agencies Radio System (STARS) by the State Police.

The Team seeks to train and develop experienced procurement and contracting experts through both internal and external sources. Team training commences with the Virginia Contracting Officer program, administered by the Department of General Services, which provides all team members with a basic working knowledge of Commonwealth's procurement law and regulations. The Team places additional emphasis on the development of its team members' ability to research and identify best practices in various contracting environments and in project management. Team members are also encouraged to become Certified Public Accountants.

Budgeting and Performance Management

The Budgeting and Performance Management team monitors the budget process and performance management initiatives to help the Office identify potential financial management issues and areas of risk. The team provides information within the office on the budget development process and monitors budget legislation as it moves through the legislative process. The team also analyzes budgetary activity during the year to identify significant changes in the budget approved by the General Assembly.

The Budgeting and Performance Management team is comprised of staff with both accounting and public administration backgrounds. Each team member receives training in the Commonwealth's budget and performance management processes, and strives to keep up to date on state and national trends in these areas. The team conducts annual training within the office to educate other staff on the budget process and the relationship between the budgetary and financial reporting cycles in state government.

Capital Asset Management

The Capital Asset Management Team seeks to ensure that the Commonwealth has the proper management, control, and valuation of capital assets; infrastructure; depreciation; preventive, corrective, and deferred maintenance; leases and installment purchases; and historic treasures. The Team bases its work on a life-cycle approach to capital asset management.

The Team seeks to have every member become a Certified Virginia Construction Contracting Officer. In addition, the Team members will annually receive training on the Commonwealth's fixed asset and lease systems and in the areas of accounting and financial reporting for capital assets, life-cycle analysis, facility maintenance and management, and project management.

Data Analysis

Data Analysis team members strive to develop and teach techniques that allow the Office to conduct cross-cutting queries and analysis. The team supports the Office's statewide audit approach by utilizing technology and computer-assisted auditing techniques. The team also develops tools and methodologies that allow the on-going monitoring of financial transactions and internal controls. This process requires acquiring, analyzing, and reporting on various types of data to identify operational and business risks.

The Data Analysis team also maintains, and continues to enhance *Commonwealth Datapoint*, an internet database located on the Auditor of Public Accounts website. Commonwealth Datapoint allows citizens, legislators, and other policymakers access to a comprehensive source of financial and statistical data on the operations of the Commonwealth of Virginia.

Higher Education

The Higher Education Specialty Team develops best practices in audit planning and techniques for university audits and in the financial operations of Virginia's state-supported universities. The team provides training and guidance on higher education financial reporting and compliance issues, as well as current industry changes; both internally to Office staff and externally to financial managers at the state-supported universities. In addition, the team develops and updates specific auditing guidance on Student Financial Aid and Research and Development programs, and NCAA compliance issues.

Team members specialize in audits of higher education institutions through experience in completing those audits; participation in specialized training, such as the College Business Management Institute; and through certifications such as the Certified Government Financial Manager. Team members strive to be a continuous resource to the universities in areas of financial accounting, internal controls, and compliance issues.

Financial Management

The Financial Management Team identifies, analyzes and provides recommendations to enable the Commonwealth to manage financial and operational risk related to cash, investments, debt, and self-insurance. In addition, the team reviews the overall financial

operations of entities within the Commonwealth. Reviews of the management operations help ensure the agency is operating in an efficient and effective manner.

The team also provides financial training to other office members on such topics as investments, derivatives, debt, and arbitrage. In addition, team members receive training on current investment and debt trends, issues, and standards. Members of the team pursue the Certified Investment and Derivatives Auditor certification.

Information Systems Development

The Information System Development ensures systems developed process financial information accurately and efficiently, and creates a usable audit trail. The Team reviews systems development projects including safeguards (called controls) that will promote accuracy, dependability, and security and report that projects are progressing on schedule, within budget, and toward success.

Team members undertake special training in project management as sponsored by George Washington University and are certified as Project Management Professionals by the Project Management Institute. Additionally, team members regularly attend classes to keep current with system development best practices.

Information Security

The Information Security team evaluates agencies' information security plans and how they impact the accuracy of financial statements and protect mission critical and sensitive information. The Team evaluates information security plans against industry best practices and the Commonwealth of Virginia policies, standards, and guidelines. As a highly technically trained team, the team also evaluates how hardware and software configurations ensure the appropriate levels of protection for the information they contain.

Each team member has an assigned area of technical concentration, which allows the team to extend its expert knowledge base to all areas of information technology, including; network infrastructure, server platforms, databases, and business applications. Collectively, the team possesses several professional certifications including Microsoft Certified Systems Engineer, Cisco Certified Network Analyst, Certified Information System Security Professional, and Certified Information Systems Auditor.

Judicial Systems

The Judicial Systems Team promotes sound financial management and accountability for public funds through audits of the various courts, constitutional officers, and Judicial agencies. The Team ensures that the court and constitutional officers are maintaining sound internal controls and accurately process financial transactions. This Team performs over 400 audits annually.

Reporting and Standards

The Reporting and Standards Team ensures that our Office is following current accounting and auditing standards and incorporates this information into our audits. For newly issued standards,

the Team not only works with our auditors, but actively works with the State Comptroller and his staff, the Cabinet Secretaries and local governments and their auditors to help everyone properly implement and follow generally accepted accounting and auditing principles. The Team specializes in the financial statement reporting model and assists in auditing the reporting process, including having primary responsibility for the audit of the Commonwealth's Comprehensive Annual Financial Report.

Team members strive to become Certified Public Accountants and regularly receive training in accounting and auditing standards. To ensure we follow the standards in every audit we perform, team members use this training to prepare training for all Office staff and update our Office's Audit Manual and practice aids. In addition, the Team conducts internal reviews of our work to assure not only the quality of our audit work, but to improve our efficiency.

Social and Medical Services

The Social and Medical Services Team ensures that agencies providing these services have effective and efficient internal controls surrounding both their fiscal operations and the compliance requirements related to their federal funding. The Team audits several of the Commonwealth's highest-funded agencies, including the Departments of Health, Medical Assistance Services, and Social Services.

The Team uses best practices in both audit planning and audit techniques for Social and Medical Service agencies, which includes in-depth knowledge of federal auditing requirements. To help aid with this objective, all team members are undertaking the Grants Management Certificate Program recommended by the National Grants Management Association.

SPECIAL PROJECTS

Required by Legislation, Statute, or Appropriation Act

Development of Internet Database

Objectives: The Auditor of Public Accounts shall compile and maintain on its Internet website a searchable database providing certain state expenditure, revenue, and demographic information as described in this subsection. The database shall be updated each year by October 15 to provide the information required in this subsection for the ten most recently ended fiscal years of the Commonwealth. (Code of Virginia Section 30-133)

Review of Performance Measures

Objectives: To determine that state agencies are providing and reporting appropriate information on financial and performance measures, and to review the accuracy of the management systems used to accumulate and report the results. (Code of Virginia Section 30-133B.)

Council on Virginia's Future

Objectives: To provide assistance to the Council on Virginia's Future. (Code of Virginia Section 2.2-2688)

Develop Capital Projects Life-Cycle Budget Analysis

Objectives: To develop a life-cycle budget analysis for capital projects for higher education. (Appropriations Act Item 4-4.01 n. 3.b.)

Specialty Teams

Acquisition and Contract Management

Study of Inventory Management

Objectives: To follow up on the inventory management practice review performed in 2005, with the additional objective to review those agencies that have significant inventory and compare their inventory management practices to accepted best practices. This review will include the practices for timely removal of obsolete, useless or damaged items, efficient ordering practices, and physical safeguards. This review will also look at the efficiency and security of the surplus property warehouse and review cost/benefit of surplus property practices. A report will be issued in March 2008.

VITA - Contract Management

Objectives: To follow VITA's management of the Northrop Grumman contract and the effects the contract has on VITA's operations and the Commonwealth's infrastructure.

Department of State Police - STARS Radio System

Objectives: To continue following the implementation of a $350 million radio system to ensure the project remains on schedule and on budget, while providing the required functionality.

Budgeting and Performance Management

Higher Education - Review of Performance Measures

Objectives: To determine that colleges and universities are providing and reporting appropriate information on financial and performance measures, and to review the accuracy of the management systems used to accumulate and report the results. (Code of Virginia Section 30-133B - the Department of Planning and Budget has delegated this function for colleges and universities to the State Council of Higher Education in Virginia).

Department of Planning and Budget
Review of Budget Transparency of the Development Process

Objectives: To compare the Commonwealth's budget transparency of the development process to best practices and other states and review Department of Planning and Budget guidance. Specific issues to be reviewed include the use of operating plans, non-general fund cash balances and how they are used in budget development, the approach for budgeting personnel costs and vacancy savings, and how re-appropriations are handled in budget development.

Budget Analysis

Objectives: To analyze the original and final budgets for agencies, and evaluate reasons for changes. This analysis will be used as a risk identification tool.

Review Non-General Fund Forecasting

Objectives: To review and evaluate the forecasting process for non-general fund revenues.

Capital Assets Management

Deferred Maintenance

Objectives: To review the work that Department of General Services has accomplished in implementing the Facility Inventory Condition Assessment System (FICAS). The Review will include General Services support to agencies, instructions and work with the State Council of Higher Education for Virginia (SCHEV). We will also interview user agencies.

Review of the Bureau of Facilities Management

Objectives: To review programs administered by the Bureau of Facilities Management and their specific roles and responsibilities of Maintenance Operations and Maintenance Management Services and evaluate the possible redundancy of these programs. The review will include the level of cost recovery for services performed resulting in expenses through the Maintenance Operations, Maintenance Management Services, Parking Services and any other fee collecting program administrated by the Bureau. We will also document and evaluate policies and procedures surrounding the new web-based First Response maintenance request system and the benefits of the system to the facility users.

Statewide Review of Department of General Services

Objectives: To complete the review of operations at the Department of General Services and the statewide processes that the Department participates in or oversees. This will specifically include: the Bureau of Capital Outlay Management and its role and oversight responsibilities in the capital outlay process; the Division of Purchase and Supply and its role and oversight in the procurement of goods and services; and the Division of Real Estate Services and its increasing role in the administration and oversight of the Commonwealth's portfolio of land and buildings. To compare current processes and controls with industry best practices to identify opportunities for improvements or increased efficiency. To gather and maintain information such as statewide lists of contracts and construction projects for use on various agency audits. To review controls and processes at the Commonwealth's Surplus Warehouse.

Statewide Review of Energy Performance Contracts

Objectives: A project to compile data on all energy performance contracts in which the Commonwealth is participating. The project will determine the status of each contract. It will also classify contracts by financing method and determine whether the method of financing was favorable, beneficial, and the most cost effective method to use. Based on this information, we will determine whether there is a preferred method to contract and finance energy improvements that is the most beneficial to the Commonwealth. Finally, we will determine whether energy performance contracts are beneficial to the Commonwealth and recommend whether they should be used in the future.

Data Analysis

Small Purchase Charge Card Review

Objectives: To review processes and collect for analysis the new MasterCard program data; specifically, collect statewide small purchase charge card data; analyze data at agency and statewide levels; review any changes to the charge card program since implementation of MasterCard - Program; and develop trigger reports for identified exceptions or unexpected results.

Financial Management

Review of Construction Financial Planning

Objectives: To determine whether a business and financing plan exists and supports the need for new construction. An agency's or institution's review of the business plan should establish the feasibility of long-term construction projects before agencies and institutions commence building. This study will also include determining whether the agency or institution developed an appropriate operating budget and future cash flow projection.

Fraud Study

Objectives: To gain an understanding of the various agency internal fraud programs and determine what types of frauds they investigate. To gather statistics on a statewide basis (i.e. restitution amount, number of cases, type of cases, and final action/outcome of the case) and make suggestions on improvements as deemed necessary. To compare data from various state systems and determine if individuals may be improperly receiving benefits and/or services. To compare benefit and service records to vital statistics records, tax records, and corrections records.

Review of Revenue Collections

Objectives: To document the various methods that the Commonwealth agencies use to collect revenues, including internet, mail, and in person, except student tuition and fees. To determine how easy these methods are for customers. To analyze whether these methods are secure and consistently safe. To review whether there are easier, more cost-effective, and more secure methods to collect revenue.

Higher Education

Review One-Card Systems

Objectives: To complete the review and comparison of the controls, policies, and procedures of the One-Card Systems used at Virginia's state-supported universities.

Revenues

Objectives: To review and evaluate the student accounting cycle at state supported universities to make recommendations, develop and report best practices, and report trends in collection rates. This review would encompass the entire student accounting cycle, including billing processes, keeping accounts from going past due, payment plans, methods of payment including credit and debit cards, on-line payment processes, impact of unpaid accounts on future registrations, bad debt collection efforts, collection agencies and debt set-off, write off policies and whether universities should share collection data, impact of the timing of financial aid on unpaid accounts, implementing payment plans, and compliance with state regulations.

Information Systems Development

Systems Development Projects

Objectives: To monitor the systems development process over major systems to determine the projects are on schedule, on budget, and provide required functionality. This includes systems development projects for the various departments, agencies, and higher education institutions.

Statewide Systems Replacement

Objectives: To monitor the replacement of statewide applications, including accounting, budgeting, human resources, and other administrative systems, with an enterprise solution.

Information Systems Security

Systems Security - Review Databases

Objectives: A follow-up of the changes made as a result of our study of the adequacy of the security of state government databases and data communications from unauthorized uses.

VITA Service Bureau Review

Objectives: To audit the information systems general control policies and procedures of the VITA Service Bureau, which provides agencies information systems data processing services.

Review of Statewide Systems Security Policies

Objectives: To review whether VITA is giving proper guidance to agencies and institutions to manage their information systems and security and if VITA is setting appropriate statewide standards.

E-Commerce

Objectives: To determine if the status of the Commonwealth's compliance with VISA/MasterCard merchant requirements for properly securing customer information (Member Compliance Validation Requirements) and identify methods to ensure the Commonwealth is not subject to resulting fines/penalties or loss of customer confidence. To determine the various ways e-commerce is used in the Commonwealth, the risks associated with the use of electronic processing and digital signatures, and to determine best practices and controls which should be in place.

Judicial

Study of Costs for Operating Court System

Objectives: To compile, analyze, and report financial data regarding the total costs to fund the district and circuit courts.

Upon the discovery of circumstances suggesting a reasonable possibility that a fraudulent transaction has occurred involving funds or property under the control of any state department, court, officer, board, commission, institution or other agency of the Commonwealth, including local constitutional officers and appointed officials exercising the powers of elected constitutional officers, as to which one or more officers or employees of state or local government may be party thereto, the state agency head, court clerk or local official in charge of such entity shall promptly report such information to the Auditor of Public Accounts and the Superintendent of State Police. Section 30-138 of the Code of Virginia.

During the course of the year, in accordance with the above statute, we receive reports of circumstances indicating a reasonable possibility of fraudulent transactions. This Office conducts an initial review of all reports, and depending on the nature and circumstances, determines how best to proceed. The majority of reports and related situations result in this office and State Police coordinating our activities with agency, institution and locality officials, primarily internal auditors and local law enforcement. The tables below outline the volume of activity we had reported during fiscal years 2005 through 2007.

Fraud Reports

	FY 2007	FY 2006	FY 2005
Outstanding cases at beginning of fiscal year	15	55	30
New reports	50	44	50
Closed reports	(40)	(84)	(25)
Active cases at end of fiscal year	25	15	55

The following table provides a breakdown of the new reports received during the fiscal years 2005 through 2007 by type of entity.

New Reports

Entity	FY 2007	FY 2006	FY 2005
Courts	3	3	3
Local Governments	4	1	7
Institutions of Higher Education	19	14	14
State Agencies	24	26	26
Total	50	44	50

During the year, we were able to resolve and close a number of reports. The breakdown of this resolution follows.

Closed Reports

Disposition	FY 2007	FY 2006	FY 2005
No Conviction	15	49	18
Conviction	5	4	1
Conviction and Recovery	7	9	3
Administrative Action	6	21	3
Administrative Action and Recovery	7	1	-
Total	40	84	25

Specialty Teams contribute members to a special fraud task group which coordinates and conducts our reviews. Many of the group members have received special training and a number of them have become Certified Fraud Examiners. Obtaining this designation requires the individual to take a national administrated test and pass an examination. The organization that provides this certification is recognized nationally for its training and skills taught for the investigation of white collar crime.

City Loses Funds

AUDIT OF COMMONWEALTH FUNDS OF THE TREASURER OF THE CITY OF WAYNESBORO

During our review of the collections and remittances of Commonwealth funds by the Treasurer of the City of Waynesboro for the year ended June 30, 2006, matters came to our attention, which indicated questionable handling of both state and city funds. Based on a review of the matter, we contacted City Officials, the State Police, and appropriate State Officials.

City Officials contacted their Certified Public Accounting firm of our findings and we coordinated our activities with this firm and the State Police. While this continues to be a matter under review by the Commonwealth's Attorney, we believe that the Treasurer should take certain actions to correct the problem.

The Treasurer did not maintain sufficient internal control over state funds as described below. We believe the matters discussed below are material weaknesses in internal control. A material weakness is a significant deficiency in the design or operation of internal controls that, in our judgment, could reasonably lead to the loss of revenues or assets, or otherwise compromise fiscal accountability and go undetected. These weaknesses and those discussed by the City's Certified Public Accounting Firm have resulted in the loss of state and city funds.

Maintain Proper Accounting Records and Perform Monthly Reconciliations

The Treasurer failed to maintain appropriate accounting records for taxpayer payments as required by Code of Virginia 2.2-806(A), sound business practices, and generally accepted accounting principles. Without such records, the Treasurer was unable to provide accurate balances for collections and uncollected taxes at the time of audit. Additionally, the Treasurer did not reconcile state income tax assessments, collections, and uncollected balances to the state's Commonwealth Accounting and Reporting System (CARS) for the months of January through June 2006, despite the fact that the Department of Accounts provides monthly reports to Treasurers for this purpose. Failing to maintain records and perform monthly reconciliations is a significant internal control weakness which brings into question the reliability, effectiveness, and efficiency of the office. The Treasurer should maintain proper records of state funds received and should reconcile these records to the assessments and collections recorded in CARS pursuant to

Code of Virginia Section 58.1-3168. This will ensure complete and accurate recording of state tax assessments and collections.

Remit Tax Collections Timely

The Treasurer did not remit state tax collections appropriately. We determined collections for the months of January and February 2006 totaling approximately $58,000. The Treasurer held the funds until March 14 and the Treasurer held collections from April 7 through May 19, 2006, of approximately $240,000 until the end of May. Code of Virginia section 2.2-806(A) requires treasurers to remit all tax collections within one banking day of receipt. The Treasurer's failure to remit these monies subjected the funds to potential misappropriation or loss. The Treasurer should remit all state tax collections as required and secure all monies held in the office prior to remittance. As of our audit, $1,000 of estimated taxes and $3,052 of state income taxes remained unremitted.

In addition to these matters, the City's Certified Public Accounting firm had recommendations to improve the handling, safeguarding, and recording of City funds. We believe the Treasurer should implement all of the recommendations in this report and those of the Certified Public Accounting firm.

Actions Taken and Continuing

As a result of our audit and the work of the City's Certified Public Accounting firm, we determined that an employee in the Treasurer's Office embezzled approximately $25,000. The police arrested the employee and she was later convicted of embezzlement. Additionally, we worked with the Virginia Treasurer's Association to have the Treasurer and her staff receive training and provide the office with a mechanism to obtain answers to questions.

About the Auditor of Public Accounts Appendix A

The APA serves Virginia's citizens and decision-makers by providing unbiased, accurate information and sound recommendations to improve accountability and financial management of public funds.

Statutory Duties And Responsibilities

The Code of Virginia requires the Auditor of Public Accounts to perform the following duties and responsibilities. The Auditor accomplishes these functions with the assistance of staff provided through an appropriation by the General Assembly.

- Audit all the accounts of every state department, officer, board, commission, institution, or other agency handling any state funds.

- Conduct special reviews, studies, or audits as requested by the General Assembly through joint resolutions or appropriation language.

- Upon discovery of any unauthorized, illegal, irregular, or unsafe handling or expenditure of state funds, or it comes to his attention that any unauthorized, illegal, or unsafe handling or expenditure of state funds is contemplated but not consummated, he shall promptly report the facts to the Governor, the Joint Legislative Audit and Review Commission, and the Comptroller. In case there is any irregularity in the accounts of the Comptroller, the Auditor shall report it to the Governor and to the General Assembly.

- The Auditor and the Superintendent of State Police shall receive and review reports suggesting a reasonable possibility that a fraudulent transaction has occurred involving funds or property under the control of any state department, court, officer, board, commission, institution, or other agency of the Commonwealth, including local constitutional officers and appointed officials exercising the powers of elected constitutional officers, as to which one or more officers or employees of state or local government may be party. In the event that the Auditor or the Superintendent determines to conduct an investigation, he shall notify the other of the commencement of the investigation as soon as practicable, unless the information involves the Auditor or the Superintendent.

- As part of his normal oversight responsibilities, incorporate into his audit procedures and processes a review process to ensure that the Commonwealth's Personal Property Tax Relief Act payments are consistent with the provisions of the Code of Virginia.

- When called upon by the Governor, examine the accounts of any institution or state officer.

- Upon written request of any member of the General Assembly, furnish the requested information and provide technical assistance upon any matter requested by such member.

- Comply with the provisions of the federal Single Audit Act and audit the accounts pertaining to federal funds received by state departments, officers, boards, commissions, institutions, or other agencies.

- Maintain an internet data base of key financial information on the Commonwealth of Virginia, its localities and demographic data.

- At least once every two years or when the Governor directs, audit all accounts and records of every city and county official and agency in the Commonwealth that handles state funds.

- Under the direction of the Joint Legislative Audit and Review Commission, devise a modern, effective and uniform system of bookkeeping and accounting for the use of all county, city, and town officials and agencies handling the revenues of the Commonwealth or of any political subdivision thereof. The Auditor of Public Accounts may approve any existing system.

- When requested by the governing body of any local government, make and establish a system of bookkeeping and accounting for such unit, which shall conform to generally accepted accounting principles.

- Make and establish a uniform system of fiscal reporting for the treasurers or other chief financial officers, clerks of the courts and school divisions of all counties and cities, and all towns having a population of 3,500 or over and all towns constituting a separate school division regardless of population.

- Prepare and publish annually a Comparative report of local government revenues and expenditures showing in detail the total and per capita revenues and expenditures of all localities for the preceding fiscal year.

- In the event a locality fails to obtain the annual audit, the Auditor of Public Accounts may undertake the audit or may employ the services of certified public accountants and charge the full cost of such services to the locality. However, no part of the cost and expense of such audit shall be paid by any locality whose governing body has its accounts audited for the fiscal years in question as prescribed above and furnishes the Auditor of Public Accounts with a copy of such audit.

The Code of Virginia further requires the Auditor to serve as an ex officio member of the Compensation Board, the Joint Legislative Audit and Review Commission and the Debt Capacity Advisory Committee.

Management Responsibilities

The Auditor serves as the chief administrative officer, overseeing the administrative functions such as personnel, accounting, budgeting, staffing, training, and other areas.

Audit organizations that perform work under the federal Single Audit Act and that have their work recognized by Bond Rating Agencies and other regulatory bodies and by users of financial information, must maintain a system of quality control. The system of quality control must undergo an external review at least once every three years. The Auditor must ensure that this quality control system exists, and that all staff maintain their qualifications to meet these standards.

Other Responsibilities

The Auditor serves as a member of a number of advisory boards and committees that provide guidance on various aspects of state government operation.

Upon request, the Auditor will provide public information about the office and our duties and responsibilities.

Analysis of Budgeted and Actual Revenue by Funding Source

Funding Source	Original Budget	Adjusted Budget	Actual Revenue
General Fund appropriations	$ 9,661,921	$ 9,676,722	$ 9,676,722
Special revenue	787,329	787,329	672,643
Total revenues	$10,449,250	$10,464,051	$10,349,365

Appropriation Adjustments

General Fund	$ 9,661,921
Required adjustments	14,801
Adjusted General Fund appropriation	9,676,722
Special fund	787,329
Total appropriations	$10,464,051

Revenues – Deposits to the General Fund of the Commonwealth

Circuit courts	$188,744
Center for Innovative Technology	35,159
General Fund total	$223,903

Analysis of Budget versus Actual Expenses by Funding Source

Funding Source	Adjusted Budget	Expenses	Variance
General Fund appropriations	$ 9,676,722	$8,624,779	$1,051,943
Special revenue	787,329	787,329	-
Total	$10,464,051	$9,412,108	$1,051,943

The following is listing of all Agencies and Institutions reports issued by the Auditor of Public Accounts during the fiscal year ended June 30, 2007. All reports listed are for the year ended June 30, 2006, unless otherwise indicated. An asterisk * indicates that the report includes audit findings and recommendations.

Agencies and Institutions

Judicial Branch

Office of the Executive Secretary of the Supreme Court of Virginia, Clerk of the Supreme Court, Clerk of the Court Of Appeals and the Judicial Inquiry and Review Commission for the period July 1, 2004 through June 30, 2006*
Virginia Circuit Court Systems dated September 27, 2006*
Virginia Circuit Courts Statewide Report for the period July 1, 2005 through June 30, 2006*
Virginia District Courts Statewide Report on Audits*

Independent Agencies

State Corporation Commission for the year ended June 30, 2005*
State Lottery Department
State Lottery Department Report on Applying Agreed Upon Procedures for the period April 1, 2005 through March 31, 2006
Virginia Biotechnology Research Partnership Authority
Virginia Commercial Space Flight Authority
Virginia Office for Protection and Advocacy
Virginia Office for Protection and Advocacy for the year ended June 30, 2005*
Virginia Retirement System *

Executive Departments

Office of the Attorney General and the Department of Law *
Office of the Governor
Office of the Lieutenant Governor

Administration

Compensation Board Report on Audit for Fiscal Years Ended June 30, 2005 and 2006
Department of Charitable Gaming for the two-year period ended June 30, 2006
Department of Employee Dispute Resolution for the two-year period ending June 30, 2006*
Department of Human Resource Management
Department of Minority Business Enterprises for period February 1, 2006, through January 31, 2007*
Department of Veterans Services Foundation for the period July, 2003 through March 31, 2006*
Human Rights Council for the two-year period ended June 30, 2006

State Board of Elections *
Division of Selected Agency Support Services

Agriculture and Forestry

Department of Forestry for the two-year period ended June 30, 2006*
Virginia Department of Agriculture and Consumer Services and the Virginia Agriculture Council*

Commerce and Trade

Department of Mines, Minerals, and Energy for the two-year period ended June 30, 2006
Tobacco Indemnification and Community Revitalization Commission
Virginia Board of Accountancy *
Virginia Employment Commission *
Virginia Racing Commission *
Virginia Small Business Financing Authority for the year ended June 30, 2005
Virginia Small Business Financing Authority
Virginia Tourism Authority
Virginia Economic Development Partnership

Education

Department of Education Including Direct Aid to Public Education and Virginia Schools for Deaf and Blind *
Jamestown-Yorktown Foundation *
Science Museum of Virginia *
Science Museum of Virginia, Special Report, August 2006*
Southwest Virginia Higher Education Center
State Council of Higher Education for Virginia for the Period July 1, 2004 through June 30, 2006
The Library of Virginia for the period July 1, 2004 through June 30, 2006*
Virginia College Savings Plan
Virginia's Museums for the year ended June 30, 2005*

Colleges and Universities

Christopher Newport University*
George Mason University *
George Mason University Intercollegiate Athletics Programs
Germanna Community College
James Madison University for the years ended June 30, 2006 and 2005
James Madison University Intercollegiate Athletic Programs
Longwood University *
Longwood University for the years ending June 30, 2005 and 2004*
Longwood University Intercollegiate Athletics Programs
Lord Fairfax Community College
New River Community College
Norfolk State University for the year ended June 30, 2005*
Norfolk State University Intercollegiate Athletics Programs
Old Dominion University

Old Dominion University Intercollegiate Athletics Programs
Patrick Henry Community College
Radford University *
Radford University Intercollegiate Athletics Programs
Southside Virginia Community College
The College of William and Mary in Virginia *
The College of William and Mary in Virginia Intercollegiate Athletics Programs
University of Mary Washington *
University of Virginia *
University of Virginia Intercollegiate Athletics Programs
University of Virginia Medical Center
Virginia Commonwealth University *
Virginia Commonwealth University Intercollegiate Athletics Programs
Virginia Highlands Community College
Virginia Military Institute
Virginia Military Institute Intercollegiate Athletics Programs
Virginia Polytechnic Institute and State University
Virginia Polytechnic Institute and State University Intercollegiate Athletic Programs
Virginia State University *

Finance

Review of the Budget and Appropriation Processing Control System
Internal Control Report on Audit for Local Government Investment Pool, Virginia Public School Authority, Virginia College Building Authority, and Virginia Public Building Authority
Secretary of Finance *

Health and Human Resources

Assistive Technology Loan Fund Authority *
Department of Aging for the two-year period ending June 30, 2006
Department of Health Professions
Department of Medical Assistance Services *
Department of Social Services *
Office of Comprehensive Services for At-Risk Youth and Families
Virginia Department of Health *
Virginia Tobacco Settlement Foundation

Natural Resources

Department of Conservation and Recreation, including the Chippokes Plantation Farm Foundation and Virginia Land Conservation Foundation, for the year ended June 30, 2005*
Department of Game and Inland Fisheries for the period April 1, 2006 through March 31, 2007*
Rappahannock River Basin Commission
Marine Resources Commission
Potomac River Fisheries Commission

Public Safety

Commonwealth Attorney Services Council
Department of Alcoholic Beverage Control *
Department of Correctional Education Report on Audit for the Two-Year Period Ended June 30, 2006*
Department of Corrections and Virginia Parole Board *
Department of Criminal Justice Services Report on Audit for the two-year period ended June 30, 2006*
Department of Fire Programs for the Two-Year Period Ended June 30, 2006*
Department of Forensic Science *
Department of Juvenile Justice for the year ended June 30, 2005*
Department of Military Affairs for the year ended June 30, 2005

Technology

Innovative Technology Authority, including its blended component unit, the Center for Innovative Technology
Review of the Information Technology Partnership, February 2007
Service Management Organization of the Virginia Information Technologies Agency Interim
Wireless E-911 Services Board

Transportation

Agencies of the Secretary of Transportation *
Virginia Port Authority *

Special Reports

Commonwealth of Virginia Single Audit Report *
Comparative Report of Local Government Revenue and Expenditures
Department of Medical Assistance Services Vulnerability Assessment and Network Penetration Test dated February 2006*
Federal Land Payments for the period October 1, 2005 through September 30, 2006
General Assembly and Legislative Agencies and Commissions of Commonwealth of Virginia, Financial Report
Progress Report on Selected Information Technology Projects in the Commonwealth, December 2006
Progress Report on Selected Information Technology Projects in the Commonwealth, March 2007
State and Local Communication Service Taxes and Fees
Collections of Commonwealth Revenues by Local Constitutional Officers
Treasurer of the City of Waynesboro *
Revenue Stabilization Fund Calculations for year ended June 30, 2006*
Review of Debt at State Supported Institutions of Higher Education as of November 21, 2006*
Review of Information Security in the Commonwealth of Virginia as of December 1, 2006*
Review of Non-General Fund Revenue Forecasting Process Interim Report*
Special Review of Status of Data Security Measures, Department of Forensic Science as of July 31, 2006*
Summary of Local Government Audit Findings: Enhanced 911 Special Tax Funds, February 1, 2007*

The following lists show those courts audited during the period July 1, 2006 through June 30, 2007.

Circuit Courts

Accomack
Albemarle
Alexandria
Amelia
Amherst
Appomattox
Arlington
Augusta
Bedford County
Bland
Botetourt
Bristol
Brunswick
Buchanan*
Buena Vista
Campbell
Carroll
Charles City*
Charlotte
Chesapeake
Chesterfield
Colonial Heights
Culpeper
Cumberland
Dickenson
Essex
Fluvanna
Franklin
Frederick
Fredericksburg
Gloucester
Greene
Greensville
Halifax
Hampton
Henry
Isle of Wight
James City/Williamsburg
King George
King & Queen
King William
Loudoun
Louisa
Lynchburg
Madison
Martinsville
Mathews
Mecklenburg
Middlesex
Montgomery
Nottoway
Northampton
Northumberland
Orange
Page
Patrick
Petersburg*
Pittsylvania
Portsmouth
Powhatan*
Prince Edward
Prince George
Prince William
Rappahannock
Richmond City-Manchester
Richmond County
Roanoke City
Roanoke County
Rockbridge
Rockingham*
Salem*
Smyth*
Spotsylvania
Stafford
Staunton
Suffolk
Surry
Sussex
Virginia Beach
Warren
Washington*
Waynesboro
Westmoreland
Winchester
Wise & Norton
York

General Receivers

Alexandria	Dickenson	Norfolk
Arlington	King George	Russell
Bristol	Lee	Sussex
Buchanan	Loudoun	Washington
Charlottesville	Lynchburg	Wise & Norton

General District, Juvenile and Domestic Relations, and Combined General District Courts

General District Courts	Juvenile and Domestic Relations Courts	Combined General District Courts
Accomack	Accomack	Alleghany
Albemarle	Albemarle	Amelia
Amherst	Amherst	Bland
Appomattox	Appomattox	Botetourt
Augusta	Augusta	Buchanan
Campbell	Bristol	Buena Vista
Caroline	Campbell	Charles City
Charlottesville	Charlotte	Cumberland*
Chesapeake	Charlottesville	Dinwiddie
Chesterfield*	Chesterfield	Emporia
Clarke	Clarke	Essex
Danville	Danville	Falls Church
Fairfax City	Fairfax County	Fluvanna
Franklin County	Fauquier	Franklin
Frederick	Franklin	Goochland
Halifax	Frederick	Grayson
Henry	Gloucester	Greene
Isle of Wight	Halifax	Greensville
King & Queen	Hanover	Highland
King William	Henry	King George
Loudoun	James City/Williamsburg	Louisa
Lynchburg	King & Queen	Lunenburg
Martinsville	King William	Madison
Mathews	Loudoun	Nottoway
Mecklenburg	Lynchburg	Orange*
Montgomery – Christiansburg Blacksburg	Martinsville	Powhatan
New Kent	Mathews	Prince Edward
Newport News Civil	Mecklenburg	Prince George
Newport News Criminal	Middlesex	Radford
Newport News Traffic	Montgomery	Rappahannock
Northampton	Nelson	Richmond County
Northumberland	New Kent	
Page	Northampton	
Petersburg	Northumberland	
Pittsylvania	Page	
Prince William	Petersburg	
Pulaski	Prince William	
Richmond City Civil	Richmond City	
Richmond City Traffic	Roanoke City	
Richmond City - Manchester*	Rockingham	
Rockingham	Spotsylvania	
Spotsylvania	Stafford	
Suffolk	Staunton	
	Suffolk	
	Tazewell	
	Washington	

General District Courts	Juvenile and Domestic Relations Courts
Warren	Waynesboro
Washington	Westmoreland
Waynesboro	Winchester
Westmoreland	Wise & Norton
Winchester	Wythe
Wise & Norton	York
York	

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