AUDITOR OF PUBLIC ACCOUNTS

ANNUAL REPORT 2019

Auditor of Public Accounts
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www.apa.virginia.gov

Commonwealth of Virginia

Auditor of Public Accounts

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November 1, 2019

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission

I am pleased to submit the **2019 Annual Report of the Auditor of Public Accounts**, which primarily covers audits we completed from July 1, 2018, through June 30, 2019. This Annual Report provides you with an overview of some of the more significant activities and results of audits from the past year. Through the audits we perform and the other activities in which our staff engage, we strive to provide unbiased, accurate information and sound recommendations to improve accountability and financial management of public funds. We utilize a values-based leadership approach, identifying four core values that we believed best represent our Office and staff. We have reflected throughout this report how we believe our Office demonstrated those values during the year. All of our reports are available on our agency website at www.apa.virginia.gov.

I want to thank my staff for their hard work and dedication. They are key to the Office achieving its mission and accomplishing its work plan. For the sixth consecutive year, the Richmond Times-Dispatch recognized the Office as one of Richmond's Top Workplaces due in no small part to the working environment espoused by my management team and staff.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

OUR MISSION & OUR VALUES

The Auditor of Public Accounts serves Virginia citizens and decision makers by providing unbiased, accurate information and sound recommendations to improve accountability and financial management of public funds.

Collaborative

We work together to create greater value.

Engaged

We see what needs to be done and participate or become involved.

Knowledgeable

We are well-informed and insightful.

Professional

We act in a manner that reflects favorably on ourselves, our co-workers, and the APA.

2019 *At a Glance*

During 2019, our organization of **123** auditors and support staff:

- Performed annual monitoring process to review for signs of potential **local fiscal distress** and compiled the local government **comparative report**
- Maintained **Commonwealth Data Point** and continued our second phase of a significant re-design
- Issued **94** reports for audits of state agencies, institutions, and authorities issuing findings for **39**
- Issued **12** letters containing internal control questionnaire review results, including findings for all **12**
- Issued **7** special reports
- Reviewed **100** Circuit Courts, issuing findings for **34**
- Reviewed **196** General, Juvenile and Domestic Relations, and Combined District Courts, issuing findings for **61**
- Performed **140** audits of local Constitutional Officers, issuing findings for **10**
- Reviewed **39** General Receivers and Magistrate Districts, issuing findings for **8**

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We are COLLABORATIVE

In addition to our auditing activities, the Office performs a variety of other functions throughout the year to assist in improving accountability and financial management in the Commonwealth. Some of these activities involve assisting the Commonwealth's local governments, to include providing guidelines to the auditors of local government financial statements and reviewing the quality of their work. We also annually prepare a Comparative Report of Local Government, which is a compilation of financial information provided by the cities, counties, and certain towns in the Commonwealth, and perform an annual monitoring process to review for signs of potential local fiscal distress. In addition, we coordinate with other legislative and executive branch entities that perform oversight and review functions sharing information and, at times, working together to capitalize on our respective expertise. Further, we maintain Commonwealth Data Point, the Commonwealth's transparency website, provide information and data to General Assembly members and staff, and respond to related inquiries. In addition, we receive and follow up on reports of potential fraud. We highlight these activities in more detail below.

We also serve the Commonwealth by procuring certified public accountant (CPA) firms and performing contract management for annual audits of legislative agencies and several other Commonwealth related entities. Besides the General Assembly and legislative agencies, we manage audit contracts for the Fort Monroe Authority, Hampton Roads Transportation Accountability Commission, Virginia529, Virginia Commercial Space Flight Authority, Virginia Port Authority (including Virginia International Terminals), Virginia Resources Authority, and the Virginia Tobacco Settlement Financing Corporation.

During 2019, the Office issued two newsletters to communicate important information to the CPA firms that are engaged to audit the entities listed above as well as the CPA firms that audit localities and certain authorities, boards, and commissions within the Commonwealth of Virginia. The newsletters include a high level background about our Office's mission and annual audit responsibilities, along with the oversight and assistance we provide to localities and other governmental entities. The newsletters also include key information specific to the Office's annual quality control review process, common findings from our quality control reviews, deficiencies found during our review of audited financial statements, reminders for the local governments' annual audits and financial reports, along with items of interest specific to the agencies and entities, which are audited by CPA firms, that significantly impact our annual audit of the financial statements for the Commonwealth of Virginia. Both newsletters are accessible on our website at the following links: Newsletter for Firms Performing Audits of Commonwealth of Virginia Entities and Newsletter for Firms Performing Audits of Localities within the Commonwealth.

Supporting Local Government

Local Fiscal Distress Monitoring

Summary of 2017 and 2018 Monitoring Process and Review with Localities

The Virginia Acts of Assembly directs the Office to establish a prioritized early warning system and annually monitor data and information from this system to identify potential fiscal distress within local governments across Virginia. During our first year of implementation in 2017, the Office used the Financial Assessment Model (FAM), which calculated an overall score for each locality based on the results of calculating ten financial ratios. We then evaluated the FAM score ratio results, along with consideration of other qualitative factors, to make our preliminary determination of the need to perform further follow up with a locality that appeared to show signs of potential fiscal distress. The Office issued our first Local Government Fiscal Distress Monitoring Report in March 2018, which described additional details on the methodology and FAM ratio analysis that our Office implemented in 2017 when first developing an early warning monitoring system. This report also provided detail on our 2017 follow up process, to include specific information and factors that we discovered and discussed with localities based on their individual performance in our analysis, most notably the results of our follow up and review process with the City of Bristol.

As a result of our 2017 monitoring process, the Office identified only one locality, the City of Bristol, as being in a situation of fiscal distress that would warrant further Commonwealth assistance. Therefore, we recommended that the city receive assistance from the Commonwealth to help further assess and stabilize the city's financial situation. In early 2018, the Governor and Money Committees approved providing Commonwealth assistance to the City of Bristol in the form of funding to support the costs of hiring two professional consultants to provide an assessment of the city's solid waste fund, along with a long-term financial assessment of The Falls commercial development project. Additional information on the status of the City of Bristol and the assistance they received is included in our most recent June 2019 Local Government Fiscal Distress Monitoring Report.

During 2018, the Office worked on several areas to improve and enhance the ratio methodology and overall approach to our fiscal distress monitoring model. Primarily, we determined the need to change our approach to how we analyze each locality's financial ratio results. We are no longer using the 2017 FAM model when evaluating the financial ratio results, and no longer applying a calculated FAM score percentage as the threshold to determine the need for additional follow up with a locality. We revised the 2018 ratio analysis to focus on a new methodology to analyze each locality's ratio performance on an individual basis, and not compare the ratio results from one locality to another. The revised 2018 model calculates 12 financial ratios and

During 2018, the Office revised the ratio analysis to calculate 12 financial ratios and assign a points-based evaluation according to each ratio's result. We set a threshold to subject those localities that receive 30 total ratio points or higher to a second phase of the model that focuses on an additional assessment of demographic and other qualitative factors.

assigns a points-based evaluation according to each ratio's result. Points are assigned for each ratio according to how the ratio performs in general at a level of either strong, adequate, or weak. Overall, a higher number of points for each ratio, and in total for all ratios combined, indicates the locality is generally showing a weak or undesirable performance in the ratio analysis. After analyzing each locality's points cumulatively for all ratios, we then perform further qualitative analysis on the localities that are scoring a high number of points. For the 2018 ratio analysis, we set a threshold to subject those localities that receive 30 total ratio points or higher to the second phase of the model, which is discussed further below.

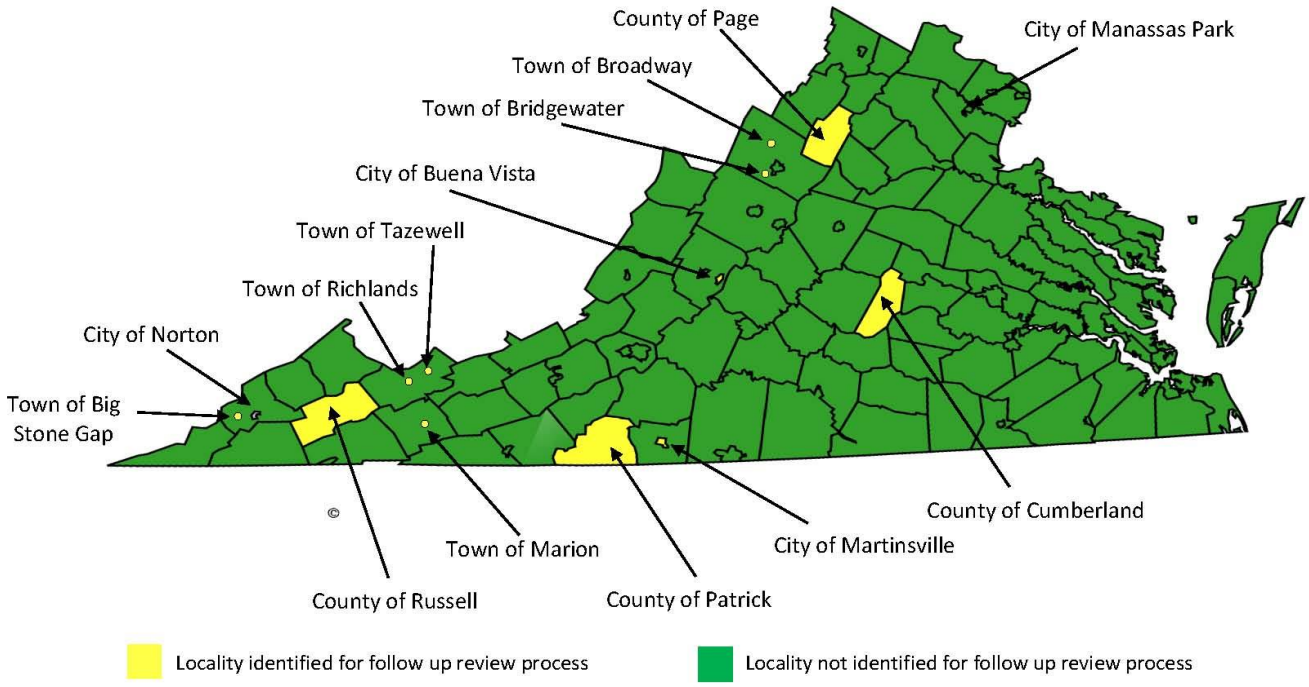
For the 2018 ratio analysis, we updated the model to include a second phase, which involves an additional assessment of demographic and other external, qualitative factors as part of our final evaluation to identify a locality for additional follow up through our financial assessment questionnaire and further discussions with the locality. This qualitative evaluation focuses only on those localities we have identified in the ratio analysis as coming above our points threshold total for the 12 ratios. The qualitative analysis reviews trends in demographic factors, such as growth or decline in population, median household income, unemployment rate, poverty rate, and the assessed value of a locality's real estate and personal property. In addition, our qualitative analysis incorporates trends from other local government assessments performed each year by state entities to meet other monitoring objectives, such as the analyses from the Commission on Local Government and the Virginia Department of Education. Lastly, the qualitative analysis incorporates any external, economic, or other qualitative information that may come to our attention about a specific locality. Based on the results of both the ratio analysis and the qualitative analysis, each locality is classified into either one of two categories: identified as needing further follow up through our financial assessment questionnaire review process, or not identified as needing any further follow up.

At the end of 2018, we completed the first phase of our analysis, calculating the 12 financial ratios based on the audited fiscal year 2017 financial report data for the cities, counties, and towns required by statute to have an audit. We then performed our qualitative analysis of applicable localities identified in the ratio analysis as coming above the 30-point threshold. We identified 14 localities as needing further follow up through our review process: the Cities of Buena Vista, Manassas Park, Martinsville, and Norton; the Counties of Cumberland, Page, Patrick, and Russell; and the Towns of Big Stone Gap, Bridgewater, Broadway, Marion, Richlands, and Tazewell. For these 14 localities, we sent written notification to inform the local governing body and management of our identification and preliminary determination to perform further review based on the results of our ratio and qualitative analyses. This communication explained that the locality must notify our Office regarding its decision to allow our further review of its financial position through completion of our follow up financial assessment questionnaire and further discussions. In addition, we again qualitatively identified the City of Hopewell. We were not able to calculate the new model ratios for Hopewell, as the city was delinquent in completing its audits and fiscal year 2017 and 2018 annual financial reports at the time we completed our 2018 analyses and monitoring process. As discussed in further detail below, we continue to defer our follow up process with Hopewell until the city submits all of its outstanding financial reporting requirements.

As discussed above, the Office is using a qualitative measure to classify localities into two categories based on the results of our ratio and qualitative analyses. In making this determination, we use two color categories, *yellow* and *green*, to illustrate the results of our analyses. The *yellow* category designates a locality as needing further review and follow up with our assessment questionnaire. The *green* category designates a locality where no further review or follow up is needed for the year. Figure 1 below illustrates our preliminary determination of the need to perform additional follow up review with the 14 localities identified during the 2018 analysis. The applicable towns are illustrated with yellow dots according to the respective counties in which the towns reside.

Qualitative Measure for Identifying Localities

Figure 1



Source: Map created at mapchart.net©

For the 14 localities identified for follow up during our 2018 monitoring process, the Office reviewed completed financial assessment questionnaires and held additional follow up discussions during 2018 and into the early part of 2019 with 11 localities, which included the Cities of Manassas Park, Martinsville, and Norton; the Counties of Page, Patrick, and Russell; and the Towns of Bridgewater, Broadway, Marion, Richlands, and Tazewell.

During 2018, the Office identified 14 localities as needing further follow up through our review process. We reviewed completed financial assessment questionnaires and held additional follow up discussions with 11 of the 14 localities, and concluded that these localities do not appear to be in a situation of fiscal distress that warrants assistance from the Commonwealth.

Based on our final reviews and follow up process completed with these 11 localities, the Office concluded that these localities do not appear to be in a situation of fiscal distress that would warrant assistance or intervention from the Commonwealth. Accordingly, the Office made no further notification or recommendation for any other locality relating to fiscal distress. Further, the Office deferred the follow up process with the City of Buena Vista, County of Cumberland, and Town of Big Stone Gap. Officials for these three localities responded to our initial inquiries and conveyed their desire to participate in our process; however, various factors caused delays with the localities' completion of the financial assessment questionnaires for our review process. The Office performed additional review of these three localities during our 2019 monitoring process and sent additional correspondence to their governing body and management, as discussed in further detail below.

In August 2019, the Office issued its second annual Local Government Fiscal Distress Monitoring Report as of June 2019. This report greatly expands on the summarized information discussed above, to provide more detail on the refinements made during 2018 to improve and enhance the early warning monitoring system, along with further information on the results of our reviews performed during 2018 and throughout the early part of 2019 with the specific localities noted above.

In support of the local fiscal distress monitoring process, our Office continued to perform outreach efforts to actively correspond with and educate the localities and keep all stakeholders well informed of this process. The Office made presentations to multiple state, local, and national groups including various governmental seminars hosted by CPA firms, the Virginia Resources Authority, the Virginia Government Finance Officers' Association, and a national Government Fiscal Sustainability Workgroup hosted by Pew Charitable Trusts and the Michigan State University Extension Center for Local Government Finance and Policy. As a result of this outreach, our Office continued to receive valuable feedback and additional insight to assist our efforts as we moved forward in 2018 and 2019 with implementing various refinements to enhance our ratio analysis and develop a more precise model for annually monitoring and identifying potential fiscal distress at Virginia local governments.

As our Office has continued to work with the national Government Fiscal Sustainability Workgroup over the past several years, we have had the opportunity to attend multiple annual meetings and participate in webinars to share knowledge and experiences and learn from other states' monitoring processes. Specifically, during May 2019, the Office had the opportunity to share an update on the Commonwealth's recently implemented local fiscal distress monitoring process as part of a public webinar presentation hosted by the workgroup sponsors from the Michigan State University Extension Center for Local Government Finance and Policy. The Office provided an overview about our direct involvement and responsibilities for Virginia's annual monitoring process, to include our financial ratio and qualitative analyses and how the process continues if a locality is identified as being in a situation of fiscal distress that may warrant Commonwealth assistance or intervention. To complement our Office's

discussion of the City of Bristol being the only locality identified where we recommended Commonwealth assistance, the Bristol City Manager and Chief Financial Officer joined our presentation to give an overview of the type of technical assistance the city has received from the Commonwealth, the outcomes the city has achieved to date, and current initiatives the city is working on to move forward out of fiscal distress.

Current Status of 2019 Monitoring Process

For the 2019 monitoring process, we have completed our final calculations and review of the ratio analysis based on fiscal year 2018 audited financial statement data for the cities, counties, and certain towns having a school system or over the 3,500 population threshold, which have submitted their audited financial reports to our Office—a total of 168 localities. Based on the results of the completed 2019 analysis and our review and assessment of total ratio points for the localities, the Office has not identified nor designated any new locality in our *yellow* category as needing further review and follow up with our assessment questionnaire process. The Cities of Hopewell and Petersburg and the County of Warren still remain delinquent in completing and submitting their fiscal year 2018 audited financial reports; therefore, they have not yet been evaluated as part of our 2019 analyses. The Office will include review over these localities' audited financial data in our monitoring process at a later date once we have received their required financial reports.

Based on the results of the completed 2019 analysis and our review and assessment of total ratio points for the localities, the Office has not identified nor designated any new locality in our yellow category as needing further review and follow up with our assessment questionnaire process.

As previously discussed, the Office again qualitatively selected the City of Hopewell as part of our 2018 monitoring process because of the city's continued delinquency in completing its annual audits and submitting its required financial reports. At the end of June 2019, the Office received Hopewell's fiscal year 2017 audit results and annual financial report. Once we receive Hopewell's fiscal year 2018 reports, we will evaluate both fiscal years of the city's data in our ratio and qualitative analyses as part of our 2019 monitoring process. Based on the results of our review, we will then evaluate Hopewell's need to complete the assessment questionnaire for our further follow up process and notify City Council and management accordingly.

Additionally, based on our final review of the 2019 ratio analysis for the 11 localities classified as needing further follow up last year, the Office noted improvements in the performance of certain ratios for some of the localities; for other localities, we noted no significant fluctuations or results that are outside of our expectations based on our follow up review and discussion process with the localities. Additional summary detail is included in our June 2019 Local Government Fiscal Distress Monitoring Report to describe the current 2019 ratio results of the 11 localities as it relates to our follow up process completed with these localities. The Office will continue to monitor the ratio trends and any other qualitative factors of these localities in future year analyses as part of our annual monitoring process.

As previously discussed, during the early part of 2019, the Office deferred the follow up process with the City of Buena Vista, County of Cumberland, and Town of Big Stone Gap due to various circumstances that caused delay with their completion of the financial assessment questionnaire for our 2018 monitoring and review process. After completing our final 2019 ratio analysis this year, we noted that these three localities showed improvement in the performance of several financial ratios based on their most recent audited financial reports for fiscal year 2018. Further, our Office has not identified any other qualitative factors impacting these localities. In early October 2019, we sent additional correspondence to the governing body and management for the City of Buena Vista, County of Cumberland, and Town of Big Stone Gap, to provide an update and our consideration of their 2019 results. Based on the results of our 2019 analyses, the Office communicated our conclusion that these localities no longer need to participate in our financial assessment questionnaire and formal follow up review process. However, the Office conveyed that we will defer to the discretion of each locality's governing body and management regarding its decision to participate in our follow up process and requested that the locality soon provide our Office written confirmation on its final decision of whether to participate in our follow up questionnaire and review process. The Office expects to issue a formal report in the coming months, which will provide a summary update on the results of the final 2019 ratio analysis for the 14 localities identified during the 2018 process, along with any other relevant information regarding the results of our analyses during our 2019 monitoring process.

Comparative Report

Each year the Office prepares a Comparative Report of Local Government Revenues and Expenditures (Comparative Report), which is a compilation of financial information provided by the Commonwealth's cities, counties, and those towns over a 3,500 population threshold or having a separate school system and thus required to have an annual audit. The Comparative Report of Local Government Revenues and Expenditures for the fiscal year ended June 30, 2018 published on our website contains financial data submitted by cities, counties, and certain towns, along with their fiscal year 2018 audited financial reports, which our Office received and reviewed as of May 6, 2019.

For the fiscal year ended June 30, 2018, 25 localities did not submit their required data transmittals and 74 localities did not submit their audited financial report by the statutory deadline.

During our report preparation process, we perform analytical procedures over the localities' data through review of the locality's audited annual financial report and the Office's uniform reporting guidelines to ensure the reliability and material accuracy of the data in our report. Twenty-five localities did not submit their required data transmittals to our Office by the November 30th statutory deadline. Additionally, 74 localities did not submit their fiscal year 2018 audited financial report to our Office by the statutory deadline. The localities' untimely submission of their transmittal data and audited financial reports continues to affect the completion of our analytical review process over the data and further delays the final issuance of our annual Comparative Report. Footnote three of the report contains a list of localities that submitted late transmittal data and audited financial reports and also shows those localities that have had ongoing delays over the years with sending in their required financial information.

At the time of our final report issuance in May 2019, the Cities of Hopewell, Norton, and Petersburg and the Counties of Clarke, Russell, and Warren did not provide their auditors financial information in sufficient time to meet the statutory deadline for auditing their annual financial statements and the final transmittal data for our report. Accordingly, we did not include these six localities in our final 2018 report issuance. Our Office has since received and reviewed the fiscal year 2018 audited financial reports and transmittal data for the City of Norton and the Counties of Clarke, Russell, and Warren. However, the Cities of Hopewell and Petersburg still remain delinquent in completing and submitting their fiscal year 2018 audited financial reports and final transmittal data for our report. We will include the data for these two cities in an amended version of the fiscal year 2018 report once we receive their required information.

Auditing Guidelines

While our Office does not audit the financial statements of the Commonwealth's local governments, we do establish guidelines, or audit specifications, that the Certified Public Accountant (CPA) firms must follow when auditing local governments. The specifications assist state agencies in making sure that the auditing firms understand and include audit procedures of state grants and contracts, as well as detail how auditors should perform audit work unique to Virginia local governments.

During the current year, the Office continued its efforts to organize a workgroup to review the guidelines and audit requirements and determine where we can develop efficiencies in meeting the overall objectives of the specifications. This workgroup consists of representatives from our Office, select CPA firms that perform local government audits, and where necessary, applicable state agencies. During 2019, our Office hosted a workgroup meeting with a selection of the local CPA firms that perform a large representation of Virginia local government audits to brainstorm and discuss the firms' practical application and approach to meeting the objectives of the specifications. Specifically, we discussed how the firms approach the specifications through use of auditing best practices, materiality scopes, sampling methodologies, and professional judgment. We also discussed recommendations from the firms on where we can clarify guidance included in the specifications, update certain audit procedures to better align with more current processes and procedures of the local governments' internal control environments, and revise several audit procedures to focus testing over the most significant compliance areas.

The Office was able to incorporate several of these recommendations in updates to the audit specifications published this year for the fiscal year 2019 local government audits. Additionally, we will consider other significant updates discussed with the CPA firms as part of next year's fiscal year 2020 audit specifications. This will allow our Office additional time to contemplate the impact of the changes and coordinate any further discussions with applicable state agencies to adequately consider the agencies' expectations and reliance on the audit procedures as part of state monitoring and compliance requirements.

Quality Control Reviews

The Office is not responsible for procuring a local government's auditing firm nor overseeing its work during the process. However, annually, our Office selects a sample of the CPA firms used by the local governments and other Commonwealth agencies and conducts a post issuance quality control review to ensure the firms' audit work complies with auditing standards and the requirements of the federal government, if the local government receives federal funds, as well as the specifications mandated by our Office. Our annual quality control reviews are in addition to the peer reviews that CPA firms must periodically undergo. As part of our quality control review process in 2020, the Office will also incorporate review over the annual audits of local authorities, boards, districts, commissions, or other political subdivisions that are required to have an annual audit and follow our audit specifications.

As part of our quality control review process next year, the Office will also incorporate review over the annual audits of local authorities, boards, districts, commissions, or other political subdivisions that are required to have an annual audit and follow our audit specifications.

We communicate the results of our reviews to the firm, the applicable local government or entity whose audit is selected for review, the Virginia Society of Certified Public Accountants, and the Virginia Board of Accountancy. Firms can receive a rating of pass, pass with deficiencies, or fail. Firms that receive a rating of fail are scheduled for a repeat review in the following year. In 2019, the Office selected five local government audits from four CPA firms for our review process, and we issued all five reports with a pass rating.

Additionally, we monitor compliance with the requirements over federal funds as part of our quality control review process through our analysis of Single Audit reports related to federal funds across 178 Virginia local governments that were required to issue this report for fiscal year 2018. We obtained the local governments' report data for the years 2016 through 2018 from the Federal Audit Clearinghouse and performed various data analytics designed to detect non-compliance with specific federal auditing and reporting requirements. Based on the results of our analysis over fiscal year 2018 audits, our Office found Single Audit testing and reporting deficiencies for two out of the 178 local government Single Audits. We communicated our findings to the applicable CPA firm for these two local government audits. As of the date of this report, the CPA firm is addressing the issues and taking corrective action to amend and re-issue the applicable Single Audit reports and update the Federal Audit Clearinghouse data.

In 2019, all five audits reviewed through our quality control review process received a pass rating. Our Office found Single Audit testing and reporting deficiencies for two out of the 178 local government Single Audits subject to our data analytics.

During presentation opportunities to local government groups, as well as in guidance published in our Uniform Financial Reporting Manual, we continued to highlight our recommendation that localities, in performing due diligence when contracting with a public accounting firm, incorporate the

review of our quality control reports issued for prospective auditing firms. We also emphasized that localities should evaluate the quality of the firm by reviewing the American Institute of Certified Public Accountants (AICPA) most recently published peer review results of the firm, which are publicly available on the AICPA's website. To continue assisting local governments with their assessment to ensure they are contracting with a quality CPA firm for their annual audits, we publish on our website the most recently issued quality control reports over CPA firms auditing the Commonwealth's local governments, along with copies of these reports for the last six years of reviews. These reports are available under the Quality Control Review Reports page on the Local Government section of our website.

Providing Support for Pension and OPEB Standards

As discussed later in the Pensions and Other Postemployment Benefits section of the report, the Commonwealth and its local governments implemented GASB Statement No. 68 related to pensions beginning in fiscal year 2015 and GASB Statement No. 75 related to other postemployment benefits (OPEB) in fiscal year 2018. Both of these standards continue to have a significant impact on the financial statements of local governments. Throughout 2019, our Office continued to provide essential information and resources to the local governments and the CPA firms performing their audits to ensure compliance with these standards for their financial statements.

Annually, the Virginia Retirement System (System) provides the actuarial valuation reports, schedules of the applicable pension and OPEB amounts, footnote disclosure information, and other financial reporting guidance to the participating local government employers for their financial statements to support reporting in compliance with GASB Statement Nos. 68 and 75. Likewise, our Office publishes the reports that include our audit opinions over the System's plan schedules and applicable financial amounts for the various pension and OPEB plans in which local governments participate. All of this information is available on the Pension and OPEB Standards section of our website.

Our Office continued to provide hands-on support to assist the local governments in understanding the substantial changes involved with these standards by providing technical guidance and outreach to keep the local governments, political subdivisions, and the CPA firms updated on important pension and OPEB information. Also, since local governments can administer their own plans or participate in other plans not administered by the System, our outreach has continued to highlight the importance of the localities proactively communicating with the other plan administrators and external auditors to inquire about audit assurances and ensure they timely receive important financial reporting information for their financial statements.

Local Report Information on Our Website

The Local Government section of our website provides the audited financial statements and the internal control and compliance reports for the 171 localities required to annually report to the Office. As part of our continued efforts to increase transparency and provide valuable information for the Commonwealth and its constituents, the Office publishes additional local government information and reports on our website each year.

As part of our continued efforts to increase transparency and provide valuable information for the Commonwealth and its constituents, the Office publishes additional local government information and reports on our website each year.

In addition to the locality's audited financial statements and reports on internal control and compliance, a locality may receive a written management letter from its auditor. A separate letter may be issued to emphasize other reporting matters that the auditing firm judges to be important enough to bring to management's attention but not at a significant level for inclusion in the locality's audit report. The Virginia Acts of Assembly requires that our audit specifications include the requirement that any auditor communication related to other internal control deficiencies or financial matters, which merit the attention of locality management and the governing body, must be communicated in the form of an official, written management letter. Because this letter may provide additional insight regarding internal control deficiencies over financial matters, we believe that making the management letters available on our website provides useful information alongside the local governments' audited financial reports.

Our Office also continues to publish on our website the audited financial reports that we receive annually from a local authority, board, district, commission, or other political subdivision in accordance with § 30-140 of the Code of Virginia. Further, if an applicable locality has a stormwater utility program pursuant to § 15.2-2114 of the Code of Virginia, the locality is required to file an annual stormwater utility report with our Office. Accordingly, we provide these annual reports on our website along with the other local government required annual reporting.

Working with Other Oversight Entities

Throughout the year, we coordinate with other legislative and executive branch entities that perform oversight and review functions sharing information and, at times, working together to capitalize on our respective expertise. We also annually meet with select members of the Governor's cabinet to provide information about the audits we have performed over the last year as well as gather information to assist us in assessing risk related to future audits.

The Office of the State Inspector General (OSIG) and Joint Legislative Audit and Review Commission (JLARC) are two entities with which we have regular communication. We frequently share information with them concerning the scope and results of specific audits when they are beginning reviews of agencies or programs that we have recently covered in our work plan. For example, we have recently started meeting periodically with JLARC's Health and Human Resources unit to share

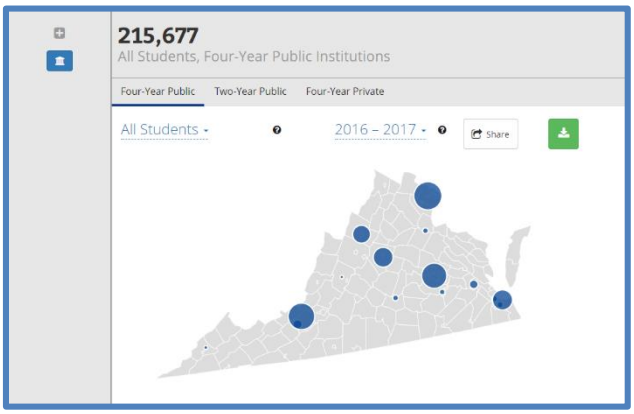
information regarding the audit work we each respectively perform over the Medicaid program. We will be meeting quarterly in the future to discuss work we perform related to Medicaid and other health and human resources programs. In addition, during the year in response to a legislative request we worked jointly with OSIG to perform a limited review of Hurricane Florence expenses processed at the Virginia Department of Emergency Management. Additional examples of our collaboration with these two entities, as well as other oversight entities, are included in other sections of this report.

Maintaining Commonwealth Data Point

Section 30-133 of the Code of Virginia requires our Office to compile and maintain a searchable database on our website that contains certain state expenditure, revenue, and demographic information. We meet this Code requirement through our operation and maintenance of Commonwealth Data Point. We update Commonwealth Data Point quarterly with data obtained from agencies, higher education institutions, and from other sources, as needed. We also include information about local government financial activity that we obtain from our Comparative Report on Local Government. In addition, we research and respond to citizen's inquiries about information on Commonwealth Data Point.

The site currently includes over three years of expenditures, revenues, budgets, and salaries; clear, concise visualizations; and contact information for each agency, all built upon a platform that complies with modern web standards.

During 2019, we continued our second phase of a re-design, which included posting notable statistics on figures such as state employment numbers, higher education enrollment, and prison populations. If relevant, we present data on the demographic dashboards with geographic visualizations of the state, either broken up by localities or more specific locations such as correctional institutions or universities. We are continuing to implement additional demographic dashboards as we move forward.



Another significant change to Commonwealth Data Point relates to the salary data requirement. During the 2019 General Assembly Session, legislation was passed to change the requirement for what is required to be displayed on Commonwealth Data Point related to salaries. The new requirement, which will include actual salaries, bonuses, and total compensation for all state employees, was effective July 1, 2019. This legislation also ensured all sensitive information could be excluded from the site.

To access information relating to fiscal years prior to 2017, users can visit the archived version of Data Point, now known as Legacy Data Point. Commonwealth Data Point can be found at datapoint.apa.virginia.gov and Legacy Data Point can be found at legacydatapoint.apa.virginia.gov.

Investigating Fraud

During the course of the year, in accordance with § 30-138 of the Code of Virginia, we receive reports of circumstances indicating a reasonable possibility of fraudulent transactions. This Office conducts an initial review of all reports and, based on the nature and circumstances of each report, determines how best to proceed. Our office is currently evaluating our approach to training staff on fraud related topics and more effective ways to use the expertise that we have in our Office. We are also looking into opportunities to use data analytics as a proactive fraud monitoring tool.

The majority of reports and related situations result in this Office, the Office of the State Inspector General, and the State Police coordinating our activities with agency, institution and locality officials, primarily internal auditors, and local law enforcement. Table 1 outlines the volume of activity, including a breakdown of new reports by type of entity, during fiscal years 2017 through 2019.

Fraud Report Activity

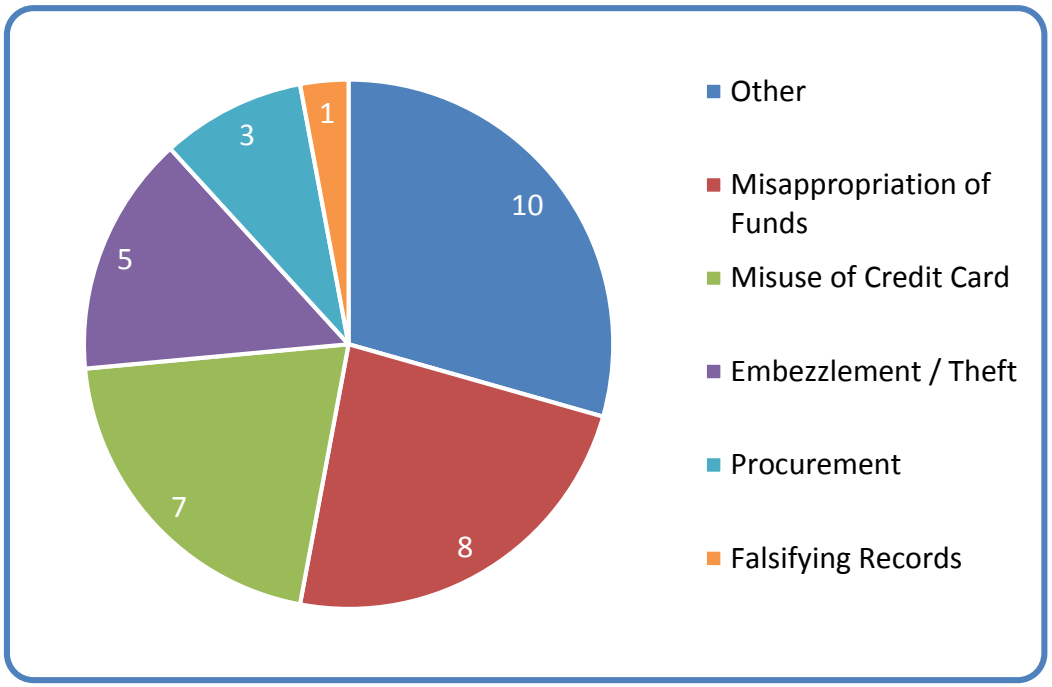
Table 1

	FY 2017	FY 2018	FY 2019
Outstanding cases at beginning of fiscal year	19	16	29
New reports:			
Courts	1	4	1
Local Governments	9	5	11
Institutions of Higher Education	13	24	9
State Agencies	13	12	13
Total new reports	36	45	34
Closed reports	39	32	35
Active cases at end of fiscal year	16	29	28

Chart 1 on the following page provides a breakdown of the new reports received during fiscal year 2019 by type. In the current year, the "other" category includes reports related to budgetary issues, corruption, financial reporting inconsistencies, hostile work environments, mismanagement, misuse of emails, and nepotism.

New Reports in Fiscal Year 2019 by Type

Chart 1



During the year, a number of fraud reports were resolved and closed. The frauds that resulted in conviction and recovery were related to misappropriation of assets and embezzlement. Table 2 below shows the breakdown of their resolution by fiscal year.

Closed Reports

Table 2

Disposition	FY 2017	FY 2018	FY 2019
No Conviction / Action	20	14	22
Conviction	1	1	2
Conviction and Recovery	2	1	0
Administrative Action	14	13	5
Administrative Action and Recovery	2	3	6
Total	**39**	**32**	**35**

We are ENGAGED

The Office performs a variety of audits each year including financial, federal, and performance. We spend the majority of our time performing audits mandated by the Code of Virginia, federal regulations, and bond or accreditation requirements. Their results are used by various entities to evaluate the Commonwealth's fiscal management. To the extent our resources allow, we also perform special projects and other agency reviews covering a wide array of topics.

Our reports on these audits and other reviews include recommendations for improving internal controls and addressing non-compliance with state and federal regulations and provide information from Commonwealth, secretarial, and agency perspectives. Our special report topics in 2019 included revenue stabilization fund calculations, review of bond issuance limits, and procurement. We also issued special reports summarizing our internal control questionnaire review results, district court audits, and state account audits.

The following section features the results of some of these audits completed during fiscal year 2019. Appendix B contains a complete list of all audits we issued during the fiscal year.

REPORTING ON MANDATORY AUDITS

Most of our mandated audits are financial statement audits, including the audits of the Commonwealth's Comprehensive Annual Financial Report (CAFR), Higher Education Institutions, and the Virginia Retirement System. Our mandated audits also include the Single Audit of federal funds expended by the Commonwealth. We summarize our observations and findings for the more significant mandatory audits completed this year below.

CAFR and Single Audit

The Commonwealth's CAFR is an audit of the statewide financial statements used by bond rating agencies and others to assess the fiscal health of the Commonwealth. The Code of Virginia mandates the completion of the audit by December 15 each year. This past year, as a part of the CAFR audit, we performed procedures over the financial activity at over 26 different agencies and universities, obtaining coverage over $63 billion in revenues and $60 billion in expenses for the Commonwealth and its components. Through this work, we also gained coverage over $46 billion in government assets, consisting primarily of capital assets, cash and investments, and receivables; $87 billion in pension and other employee benefit trust fund assets; as well as $21 billion in government liabilities.

The Single Audit report serves to communicate not only findings related to federal compliance testing for CAFR material and other agencies, but also internal control and compliance matters related to the CAFR audit.

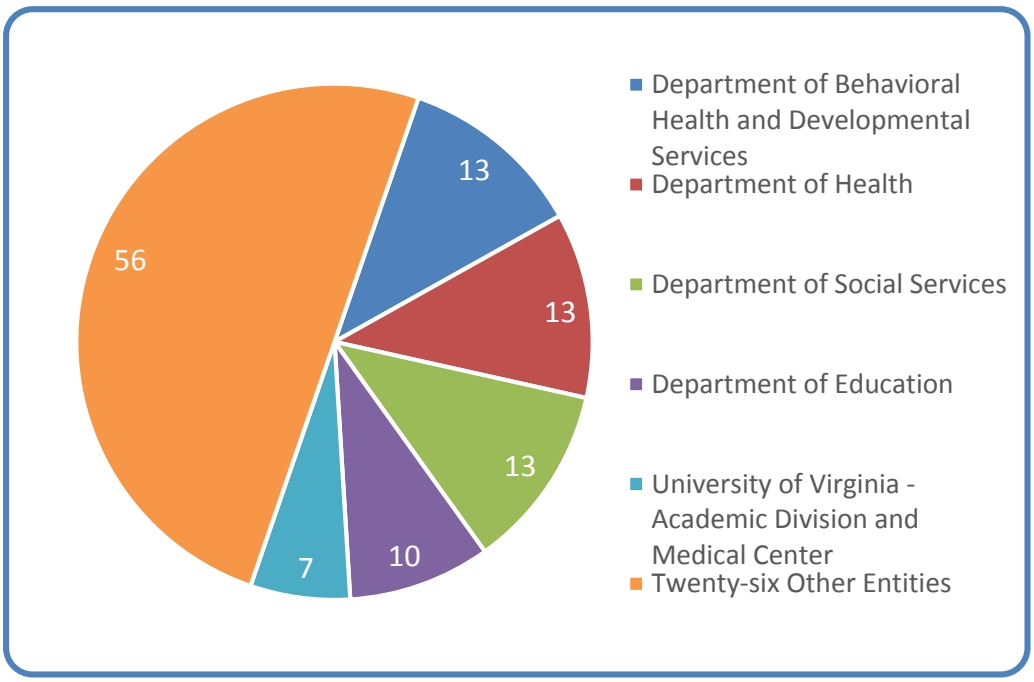
During our testing for CAFR, we also perform test work at CAFR material agencies and other agencies to support the Commonwealth's Single Audit of federal funds. The Single Audit report serves to communicate not only findings related to federal compliance testing, but also internal control and compliance matters related to the CAFR audit. As a result, we complete this work in time to issue the Single Audit report within 60 days of the conclusion of the CAFR audit, which is approximately 45 days ahead of the federally mandated deadline.

We perform federal compliance testing for the Single Audit to fulfill the audit requirement the Commonwealth commits to when it accepts federal funds. Most state entities (agencies, authorities, boards, and commissions, etc.) that are part of the Commonwealth are subject to audit under the Single Audit. Each year, we evaluate approximately $13 billion in federal expenses for testing. To complete the Single Audit, we audited 9 federal programs administered by the Commonwealth. For fiscal year 2018, we conducted a large portion of our testing at eleven institutions of higher education in support of our opinion on compliance for the Student Financial Assistance program. Two programs, the Emergency Management Performance Grant and Homeland Security Grant, both administered by the Department of Emergency Management, each received a qualified opinion on compliance because of material noncompliance.

Our testing for the CAFR and Single Audit resulted in 112 separate findings with recommendations across 31 different entities. As seen in Chart 2, of the 112 findings, 56 findings (50%) are from five entities.

CAFR and Single Audit Findings by Entity

Chart 2

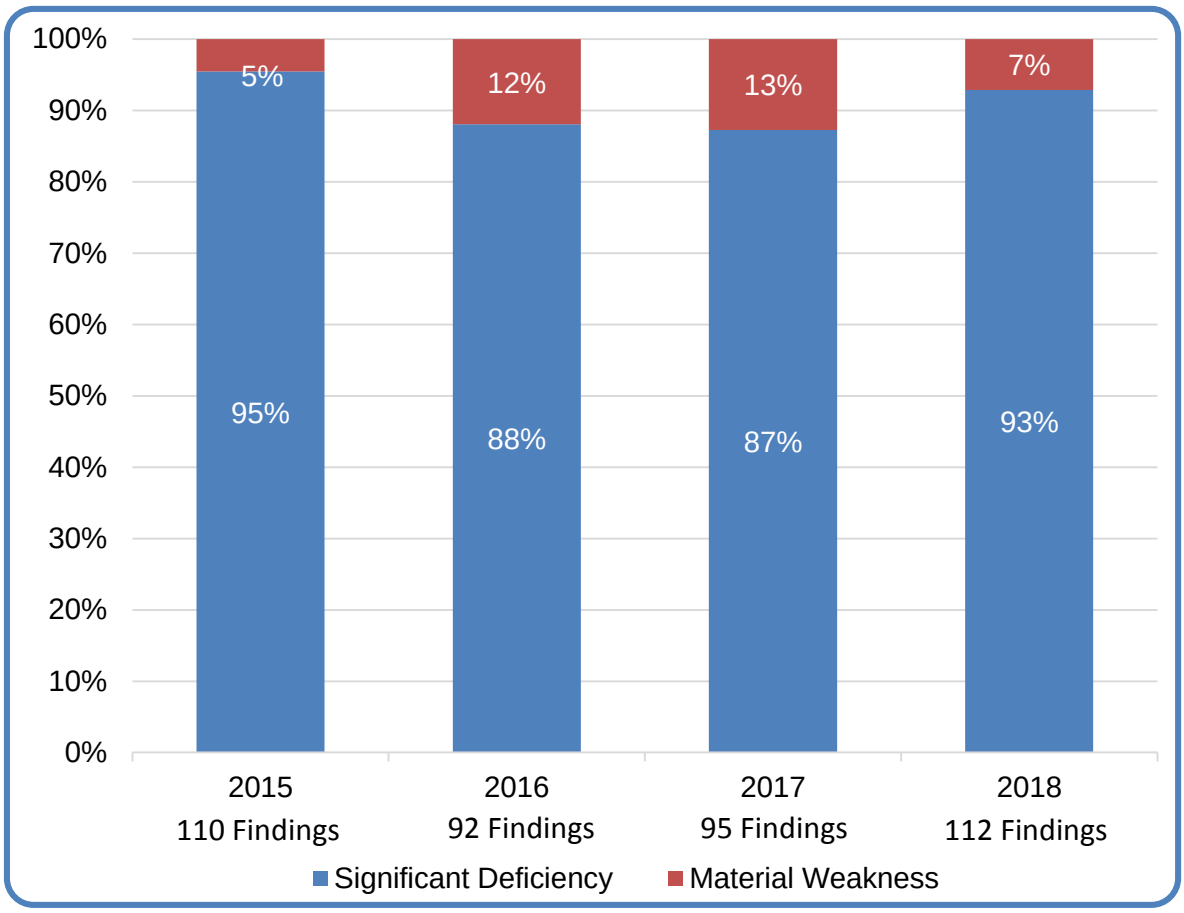


The auditing standards we follow require us to evaluate the severity of each internal control finding and classify them as a significant deficiency or material weakness, with material weakness being the most critical classification. We classify findings as a material weakness when there is a reasonable possibility that a material misstatement of the entity's financial information will not be prevented or detected and corrected on a timely basis due to a deficiency in internal control.

Chart 3, for each year, provides the total number of findings and a breakdown of the severity of the findings reported in the Single Audit for fiscal years 2015 through 2018. While the overall number of findings reported for fiscal year 2018 increased from fiscal year 2017 by 17, the number of material weaknesses decreased from 12 to 8.

Number and Severity of Findings Reported in the Single Audit
Fiscal Years 2015 through 2018

Chart 3



Five entities are responsible for the material weaknesses related to the CAFR including the Departments of Education, Human Resource Management, Medical Assistance Services, Social Services and Transportation. The Department of Transportation was responsible for four material weaknesses and the other Departments each were responsible for one. With the exception of the one finding from

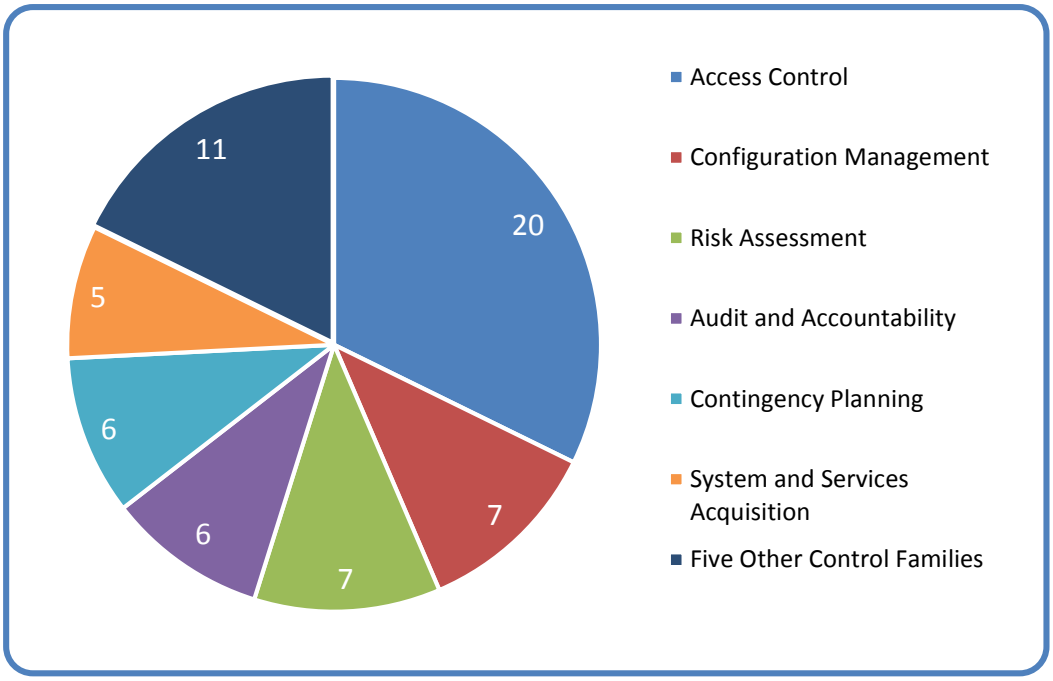
the Department of Social Services related to verifying income of recipients, all other findings relate directly to financial reporting.

Consistent with prior years, information systems security related findings represent nearly half of the total findings for the Commonwealth, 49 (or 44%). We review information systems security controls as part of our audits since the information we audit is stored in systems. The specific information security controls that we audit in a particular fiscal year depend on overall audit objectives, scope, and risk. Therefore, we do not audit the same information systems security controls across all agencies in one fiscal year.

Chart 4 below provides more information about the nature of these findings indicating the applicable control family. The Commonwealth of Virginia's Information Security Standard, SEC 501 (Security Standard) adopts the Information System Security Control Families from the National Institute of Standards and Technology (NIST) to categorize controls that the Commonwealth is required to apply to its information systems. According to NIST, a control family "contains security controls related to the general security topic of the family. Security controls may involve aspects of policy, oversight, supervision, manual processes, actions by individuals, or automated mechanisms implemented by information systems and devices." Consistent with recent years, access control represents approximately one quarter of the weaknesses in information systems security.

Information Systems Security Findings by Control Families

Chart 4



Note: Eight findings reported deficiencies with multiple control families. For this graph, the deficiencies are broken-out and included in total for each control family impacted.

Finally, for additional information about findings we once again included two listings of all findings in Appendix I of the Single Audit. The first list organizes all findings by topical area and the second list organizes all findings by the applicable entity. A reader of the Single Audit report can use these lists to analyze audit findings by topical area or agency and to obtain a finding's number, which the reader can use to locate more information about a finding within the Single Audit report. Access the Single Audit report on our website.

Pensions and Other Postemployment Benefits Special Reviews

Pensions

In addition, to performing the annual audit of the Virginia Retirement System's (System's) financial statements, as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 in fiscal year 2015, which covers accounting and reporting of pension activity by employers, we have continued to include approximately three thousand additional hours in our annual work plan to audit the requirements of the pension standards. This includes additional hours for the System audit and the individual agency and higher education institution audits.

Our annual work plan increased by approximately three thousand hours when the Commonwealth implemented new pension standards in fiscal year 2015 and have remained at that level to meet the ongoing needs of employers.

At the System, our annual work includes a review of various schedules prepared by the System's actuary and guidance prepared by the System for use by the Commonwealth's agencies and higher education institutions as well as its localities. We also have to perform additional testing of census data maintained by the System. In addition, at the individual agency and higher education institution audits, we have to perform audit work surrounding the census data they provide to the System and, where applicable, ensure they appropriately reported the activity in their individual financial statements. Further, we continue to provide guidance and reporting requirements related to local government audits. See the Supporting Local Government section of this report for more information on our efforts with regard to the Commonwealth's localities.

Postemployment Benefits Other Than Pensions

Similar to the standards addressing accounting and financial reporting for pension plans and pension activity by employers, GASB issued standards for accounting and reporting for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, which covers accounting and reporting by postemployment benefit plans other than pension plans, was effective for fiscal year 2017, and GASB Statement No. 75, which covers participating employer accounting and reporting of postemployment benefits other than pensions, was effective for fiscal year 2018. The Commonwealth and its agencies and institutions successfully implemented the new standards last year and reported the full OPEB liabilities in their financial statements for the first time.

The Commonwealth and its agencies and institutions successfully implemented new OPEB standards last year reporting the full OPEB liabilities in their financial statements for the first time.

The System administers all but one of the Commonwealth's other postemployment benefit plans including Group Life Insurance, the Retiree Health Insurance Credit Program, the Disability Insurance Trust Fund, the Line of Duty Death and Disability Program, and the Virginia Local Disability Program.

The remaining OPEB program, Pre-Medicare Retiree Healthcare, is administered by the Department of Human Resource Management (Human Resource Management). Some state and local entities also administer their own plans or participate in plans administered by other entities, and they are responsible for ensuring they comply with the standards related to these plans.

At the System, we continue to include over one thousand additional hours in the work plan to audit the requirements of GASB Statement No. 75. An additional 600 hours were included at Human Resource Management to audit the implementation of the new standard. We are able to utilize some work we currently perform over census data on the System, agency, and higher education institution audits related to pensions to support our work over other postemployment benefits. The additional hours for the System and Human Resource Management primarily included review of the other postemployment benefit plan schedules and the related actuary reports. Having now completed these audits twice with established processes in place, we anticipate a similar number of hours required for the audits of the GASB Statement No. 75 schedules in future work plans.

Pension and OPEB Resources

Annually, the Virginia Retirement System provides the actuarial valuation reports, schedules of the applicable pension and other postemployment benefit amounts, footnote disclosure information, and other financial reporting guidance to the participating state and local government employers for their financial statements to enable them to comply with GASB Statement Nos. 68 and 75. Likewise, once our work is complete, our Office publishes the reports that include our audit opinions over the plan schedules and applicable pension and other postemployment benefit amounts for the various pension and OPEB plans. All of this information is available on the Pension and OPEB Standards section of our website. In addition, Human Resource Management provides the actuarial valuation report, schedule of applicable other postemployment benefit amounts, footnote disclosure information, and other financial reporting guidance for the plan it administers to participating employers to enable them to comply with GASB Statement No. 75 when preparing their financial statements. Likewise, once our work is complete, our Office publishes the report that includes our audit opinion over the plan schedule and applicable other postemployment benefit amounts for the Pre-Medicare Retiree Healthcare plan.

Higher Education Institutions

During the past year, we completed the fiscal year 2018 financial statement audits related to the Commonwealth's higher education institutions, including the Virginia Community College System and its 23 community colleges. While we issued unqualified opinions on the financial statements of each of these institutions, we included 145 internal control and compliance recommendations distributed between 15 audit reports. Those recommendations addressed a variety of issues as summarized in Table 3 below. Some institutions have multiple findings within a particular category. We classified five of these findings as material weaknesses in internal control and thirty of the findings reported during fiscal year 2018 represent repeat findings from the prior year, including findings where institutions have made limited or partial progress in resolving previous recommendations.

Number of Findings by Category

Table 3

Internal Control and/or Compliance Area	Number of Findings
Information Systems Security	34
Federal Student Financial Aid	30
Acquisitions, Contracting, and Disbursements	19
Payroll and Human Resources	18
Capital Asset Inventory and Management	14
System Access	13
Miscellaneous	6
Revenue and Cash Collections	6
Employment Eligibility	5

As part of our Single Audit of federal funds, we tested federal student financial aid compliance with federal statutes at George Mason University, James Madison University, Norfolk State University, Northern Virginia Community College, Old Dominion University, Radford University, Tidewater Community College, the University of Virginia, Virginia Commonwealth University, Virginia Tech, and Virginia State University. We also performed follow-up reviews at multiple community colleges with previously issued and unresolved findings. Beginning with fiscal year 2018, we issued a summary report entitled Student Financial Assistance Programs Cluster, which contains the results of all our testing of student financial aid to support the Single Audit. We also performed a reaccreditation review at three community colleges and Richard Bland College and additional procedures at 11 higher education institutions over their National Collegiate Athletics' Association activities.

Following our audits at each of the four-year institutions of higher education, we published a summary of compliance with Code of Virginia § 23.1-1309 related to subsidization of intercollegiate athletics department activities through student fees. This was the second year reviewing institutions' compliance with the legislation, and we determined all institutions, except Norfolk State University, complied with the percentage requirements outlined by subsection C of the applicable Code section.

We recommended that Norfolk State University, in accordance with the requirements of the Code of Virginia, prepare a plan for submission to the Governor and General Assembly for reducing its subsidy percentage below the required threshold.

We also reviewed institutional activities related to implementing recommendations made by JLARC and included in 2018 Acts of Assembly, Chapter 2 § 4-9.04a. We determined many institutions have completed activities related to these recommendations, while some activities related to developing targets for spans of control in supervisory roles remain in progress at several institutions.

PROVIDING INFORMATION TO THE GENERAL ASSEMBLY

Beyond making recommendations for improving internal controls and addressing noncompliance, we look for other opportunities to add value to the Commonwealth. Our reports on the results of audits will often include additional information that we believe will be useful to General Assembly members in the performance of their duties and responsibilities. We present information from Commonwealth, Secretarial, or Agency perspectives depending on the nature of the topic and the type of report being issued.

Being Innovative in our Approach to Non-mandatory Audits

There are approximately 70 agencies that are subject to audit by our Office that do not have a mandatory annual audit requirement and, generally, these agencies do not have financial activity that is required to be audited in support of the CAFR or Single Audit of federal funds. Historically, we audited these agencies on a three-year cycle focusing on the significant financial cycles of the agency. While we did perform some risk analysis in determining when to bring the agency into the audit cycle, the timing of audit was primarily driven by the time period that had elapsed since the last audit.

Two years ago, in order to better utilize our Office's staffing resources, we implemented a new risk based approach for auditing these agencies, which we refer to as cycled agencies. Under this approach, annually we perform a risk analysis for all of the cycled agencies considering certain criteria including, but not limited to, relative amount of revenues and expenses, activity and number of users for purchasing and fuel cards, number of prior audit findings, and turnover in key positions. We also look for unusual trends or changes in financial activity. Based on this analysis, we divide the agencies into two pools based on the resulting risk rating. These pools are subject to change each year depending on the risk rating. Below we provide additional information on the approaches used for both pools.

Pool I

The agencies in this pool are subject to audit every year under a special project that focuses on one area that is determined to be significant for the agencies in this pool. We determine the specific area of focus based on the results of prior audits and internal control questionnaire results. We use risk analysis to determine which agencies from Pool I will have detailed procedures completed in this area and will perform limited procedures at the remaining agencies. We issue a comprehensive report at the end of the project detailing the results for the agencies selected for review. All agencies also receive an internal control questionnaire review with an on-site visit to verify controls at least once every three years. During the fourth quarter of fiscal year 2019, we issued our second report under this approach, where procurement was the area of focus as it is one of the most important accounting cycles for Commonwealth agencies. This report is covered below in the Focusing the Spotlight section of this report.

Pool I agencies are subject to audit annually under a special project that is determined to be significant for the agencies in this pool and, also, receive an internal control questionnaire review at least once every three years.

Pool II

We perform an audit of agencies classified in Pool II; however, the audit objectives and scope vary from the audits that we have traditionally performed. Generally, agencies classified in Pool II will stay in the audit cycle for a minimum of three years, and we will plan our work accordingly. However, depending on the risk factors that resulted on their inclusion in the pool, some agencies may be in the audit cycle for a shorter period. We use a risk-based approach to determine the scope of the review for each agency selected. Therefore, our reports have a more limited scope, focusing on specific areas that we select for review, versus an agency-wide approach. This allows us to cover selected areas in more depth and additional areas that we may not have previously covered as we were focused primarily on significant financial cycles as opposed to those that may have higher risk. These agencies are also subject to an internal control questionnaire review with an on-site visit to verify controls at least once every three years.

We perform an audit of Pool II agencies; however, the audit objectives and scope are more limited than prior audits. Pool II agencies also receive an internal control questionnaire review at least once every three years.

During the period covered by this report, we issued reports for twelve Pool II agencies including reports for the Department of Emergency Management, Department of Fire Programs, Department of Game and Inland Fisheries, Supreme Court of Virginia, and the Virginia Department of State Police the results of which are covered in the Focusing on the Importance of Internal Controls section below.

Internal Control Questionnaire Reviews

Each year our Office conducts an Internal Control Questionnaire Review project. As noted above, all agencies in both pools are included in this project at least once every three years. During the review, we send the agency an Internal Control Questionnaire to complete covering significant organizational areas and activities including payroll and human resources; revenues and expenses; procurement and contract management; and information technology and security. The questionnaire focuses on key controls over these areas and activities.

We review agency responses and supporting documentation and design procedures based on the results. The next step includes an auditor going on-site and validating the responses from the agency. The procedures performed target risks or business functions deemed significant and involve reviewing internal policies and procedures. Depending on the results of our initial procedures, we may perform additional procedures including reviewing evidence to ascertain that select transactions are executed in accordance with the policies and procedures and conducting inquiries with management.

We review agency responses to the internal control questionnaires and design procedures based on the results.

After we complete the on-site review, we provide a letter to management stating the results and highlighting any key areas of interest. In addition, we issue a report with the accumulated results for all agencies after the project is complete. We use the results of this process in our risk-based analysis, which could result in the agency being included in Pool II or identify topics for our special project for Pool I agencies. During the year, we issued our second annual report summarizing the results of the internal control questionnaire. This report is covered below in the Focusing the Spotlight section of this report.

Focusing on the Importance of Internal Controls

Sound internal control practices are the driving force behind the management of the Commonwealth's resources. Many factors play into an organization's ability to effectively and efficiently design and implement their internal controls to minimize the risk of mismanagement and fraud. Over the course of the past year, several of our audits have highlighted the importance of internal control and what can happen when it is lacking. We discuss a few of those reports here.

Department of Emergency Management

Our audit of the Department of Emergency Management (Emergency Management) for the period July 1, 2016, through June 30, 2018, focused on federal grants management and certain compliance requirements over non-disaster related federal grants. We also reviewed financial management practices over the Radiological Emergency Preparedness Fund at the request of management

During our audit of Emergency Management, we identified five internal control and compliance findings and a comment to management related to the agency's ability to sustain its level of spending.

Since 2015, Emergency Management has undergone significant changes intended to modernize the agency to meet current risks and improve operations. These changes have resulted in a 28 percent increase in the agency's operating expenses since the beginning of fiscal year 2016. At the same time, Emergency Management has not had a significant increase in their related funding, thereby causing concerns about the agency's ability to sustain this level of spending going forward. This issue is discussed in more detail in the comment to management included in the report.

Our report includes five internal control and compliance recommendations including continuing to strengthen time and effort reporting, improving controls over journal entries and payroll adjustments, and improving the process for allocating overhead costs. As a result of these findings, we also reported $851,000 in federal questioned costs primarily due to a lack of documentation. We had one other recommendation related to continued improvement over the financial management of the Radiological Emergency Preparedness Fund. Access the Full Report on our website.

Department of Fire Programs

During our Internal Control Questionnaire Review of Fire Programs, we determined that it does not have a sufficiently strong internal control environment leading to internal control concerns in 14 different areas of the agency.

Our Office performed an Internal Control Questionnaire Review of the Department of Fire Programs (Fire Programs) as of August 2018. We normally communicate the results of these reviews through a letter to management. However, because the results of our review of Fire Programs were more significant than would typically be communicated in the standard letter to management, a full report was deemed necessary. We determined that Fire Programs does not have a sufficiently strong internal control environment. The lack of a strong control environment is a major factor leading to the internal control concerns noted and recommendations made in 14 different areas of the agency including the control environment, oversight to localities, management of funds, vehicles, travel, assets, tuition reimbursement, signature stamps, Agency Risk Management and Internal Control Standards (ARMICS), agreements with other agencies, internal audit, executive leave, reconciliations, and information system security. Access the Full Report on our website.

Department of Game and Inland Fisheries

During our audit of DGIF, we identified six internal control and compliance findings covering system access, purchasing card administration, travel expense reimbursements, revenue reconciliation, and budgeting.

Our audit of the Department of Game and Inland Fisheries (DGIF) for fiscal year 2017 covered multiple cycles including budgeting; the licensing and registration system; cash disbursements accounting; and procurement workflow controls. We identified six internal control and compliance findings. We recommended that DGIF improve its quarterly access reviews over the Commonwealth's purchasing system and its logical access to one of its information systems to ensure appropriate people have access to these systems. Also, DGIF should develop and implement required controls over the administration of its purchasing cards and ensure employees request travel expense reimbursements timely. Further, DGIF should maintain proper separation of duties in relation to recording daily revenue receipts and performing the revenue reconciliation, which should be properly documented and supported by system-generated reports. Finally, DGIF should continue its evaluation of its budgeting process, including evaluating the reasonableness of its fund floor reserve levels and reallocating appropriation requests to reflect updated receipts and projections for federal and special revenue funds in the upcoming years. Access the Full Report on our website.

Judicial Branch Audit of Capital Assets and IT Project Management

Our audit of capital assets and information technology project management of the Judicial Branch for the fiscal year ended June 30, 2017, includes five recommendations for the Executive Secretary of the Supreme Court of Virginia to strengthen internal controls and compliance. The Executive Secretary should correctly document, track, and report information technology project costs. In addition, the Executive Secretary should improve its capital asset processes related to construction in progress reconciliations, physical inventory, evaluation of useful lives, and asset additions. Access the Full Report on our website.

Potomac River Fisheries Commission

Our audit of the Potomac River Fisheries Commission (Commission) for the fiscal year ended June 30, 2018, found the Commission continues to have a potential going concern issue for the third year. The Commission has taken several steps to address this problem, including a reduction in funding to the retiree reserve. However, the Commission continues to need to use reserve funds to cover operating expenses. At June 30, 2018, the Commission's operating fund had not reimbursed the reserve account for $142,000. The Commission continues to experience issues related to timely preparation of bank reconciliations. Further, the Commission has not adopted an applicable security standard and does not have an adequate disaster recovery plan. Finally, the Commission did not properly verify employment eligibility for its two new employees. Access the Full Report on our website.

Update on Subsequent Audit

In September 2019, we issued a report on our audit of the Commission for the fiscal year ended June 30, 2019. During that audit, we found the Commission has taken deliberate actions to address its going concern by reducing expenses, redirecting current oyster program reserves, restricting contributions to the oyster program reserve, and increasing revenues through a fee increase for commercial license registration. These actions resulted in a profit and a positive ending cash balance. Our report also includes several internal control recommendations related to financial recording, reconciliations, information security policies and procedures, and use of end-of-life technology. Access the Full Report on our website.

Virginia Department of State Police

Our audit of the Virginia Department of State Police (State Police) for the fiscal year ended June 30, 2017, focused on internal controls and compliance over eight business areas within the Information Technology (IT) and Property and Finance Divisions, resulting in 38 audit recommendations. The business areas include information technology, fixed assets, procurement, purchase and sworn charge cards, federal grants accounting, cash management and accounts receivable, Commonwealth accounting and reporting system reconciliations, and retirement benefits system reconciliations. Our recommendations largely focus on the need for State Police to establish or improve internal control policies and procedures, or consistently follow its existing policies and procedures.

During our audit of State Police, we identified 38 internal control and compliance findings in eight business areas within the IT and Property and Finance Divisions.

Our report includes a 10-year analysis of full-time staff and contractors within these Divisions and shows that State Police has increased its use of contractors to perform technology and financial functions. As contractors are temporary and may be unfamiliar with state regulations and procedures, formal and detailed policies and procedures helps State Police to communicate its internal control expectations. Access the Full Report on our website.

FOCUSING THE SPOTLIGHT

Special reviews are designed to highlight key areas of risk to the Commonwealth as identified by the Office or driven by specific requests of the legislature. We also use special reviews to provide summary information on select audit areas. The following summaries offer examples of such special reviews performed during fiscal year 2019 as well as an update on reviews to be performed during fiscal year 2020.

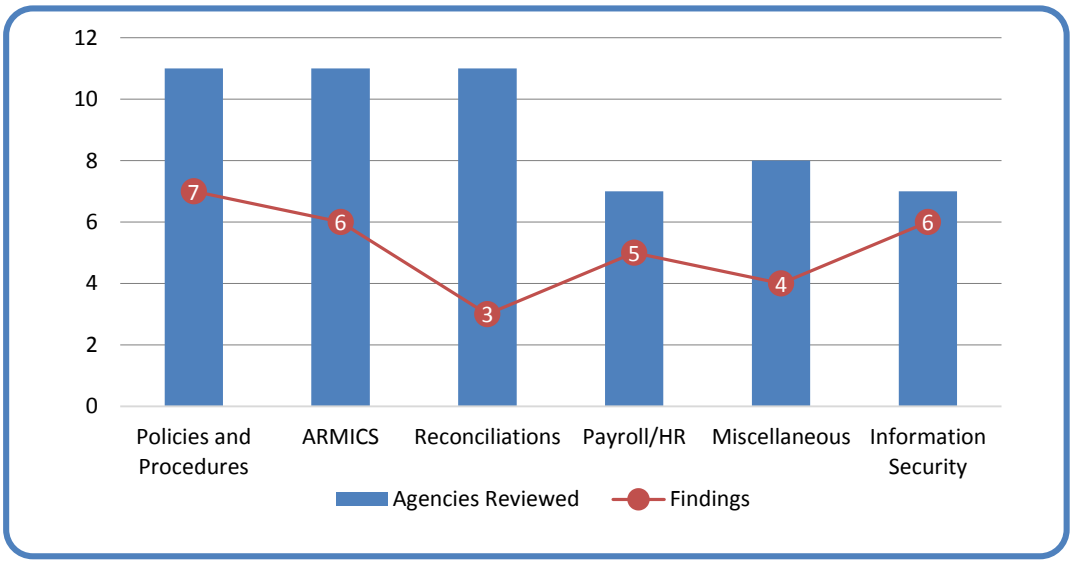
2018 Internal Control Questionnaire Results

As a result of our internal control questionnaire reviews, we issued recommendations for improvements in internal controls for 91 percent of the agencies we reviewed.

Our 2018 Internal Control Questionnaire Results report communicates the overall results of the reviews of internal controls performed primarily during 2018 and highlights the common deficiencies identified across agencies reviewed. As discussed in the Providing Information to the General Assembly section of the report, annually our Office conducts an Internal Control Questionnaire Review project covering all cycled agencies at least once every three years. We included 12 agencies in the scope of our review during 2018; however, due to the significant issues noted from the review of the Department of Fire Programs, a separate report was issued for this agency and it was excluded from this report. Of the remaining 11 agencies included in our review, we issued recommendations for improvements in internal controls to ten agencies representing 91 percent of the agencies reviewed. As shown in Chart 5, the main areas with recommendations were policies and procedures, information security, Agency Risk Management and Internal Control Standards (ARMICS), and payroll/human resources. Access the Full Report on our website.

Frequency of Internal Control Questionnaire Findings

Chart 5



Cycled Agency Procurement Review

Our Cycled Agency Procurement Review is based on our Office's new approach to auditing cycled agencies as discussed in the Providing Information to the General Assembly section of the report. In addition to performing periodic internal control questionnaire reviews over these agencies, as discussed above, we also annually select a significant area of focus to cover in a special review. For fiscal year 2017, we chose procurement operations as the area of focus as it is one of the most important accounting cycles for Commonwealth agencies.

This report details the results of our audit of procurement operations at eleven cycled agencies and limited procedures performed over the pool of cycled agencies. During our review we identified issues related to internal control and compliance in the following areas: compliance with the Prompt Pay Act, accuracy of goods and service receipt date, control procedures and management process, competitive procurement requirements, contractual scope of work, disallowed charge card program, small purchase charge card operations, and third party service provider controls. We found that agencies were processing contractual payments effectively and accurately, in all material respects. Access the Full Report on our website.

Revenue Stabilization Fund Calculations

Annually, we issue a report which includes calculations for the Revenue Stabilization Fund as required by Article X, Section 8 of the Virginia Constitution and § 2.2-1829 of the Code of Virginia. As of June 30, 2018, the balance in the Revenue Stabilization Fund was $283.3 million. During fiscal year 2018, a withdrawal from the fund in the amount of $272.5 million occurred. A deposit to the Revenue Stabilization Fund was not required based on actual tax collections during the 2016 fiscal year. The General Assembly is required to make a mandatory deposit of $262.9 million to the Revenue Stabilization Fund in fiscal year 2020 based on fiscal year 2018 certified tax revenues. Access the Full Report on our website.

Review of Chapter 759/769 Bond Issuance Limit

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

Summary Reports of Judicial and State Account Audits

Annually, we issue summary reports related to some of the work we perform over the Commonwealth's court system, as well as state funds collected by local Constitutional Officers. These reports allow stakeholders to more readily identify trends in findings across courts and localities and better understand the financial impact of these findings.

Annually, we issue summary reports for the work we perform over the Commonwealth's District Courts and state funds collected by local Constitutional Officers to allow stakeholders to identify trends across courts and localities.

During the past year, we issued our first Virginia District Court System Statewide Report summarizing the findings from our audit of the District Court System for the fiscal year ended June 30, 2017. Our audits resulted in findings in 55 courts, some of which had multiple findings. The report includes an appendix containing a summary of results by court. We also issued our Report on Collections of Commonwealth Revenues by Local Constitutional Officers for the year ended June 30, 2018, which summarizes the findings we have previously communicated to the individual Sheriffs, Treasurers, and Directors of Finance and the respective local governing body upon completing our individual audits. Our audits resulted in findings at ten localities. We have listed the findings in the report by Constitutional Officer and locality. We limited our work in local government to the collection of Commonwealth revenues by Constitutional Officers, excluding Clerks of the Circuit Court, which we audit separately.

Fiscal Year 2020 Special Review Previews

Department of General Services' Tenant Project Management Services

We issued our report on the Department of General Services' (General Services) Tenant Project Management Services in October 2019. This review focuses on the General Services' Bureau of Facilities Management's (Facilities Management) administration of the planning, construction, inspection, and financial management of tenant improvement projects in General Services managed buildings in the Richmond area. Overall, we found that Facilities Management does not have documented policies and procedures surrounding the project management process. As a result, the processes that are in place do not follow best practices. We evaluated five projects against 12 best practices in the areas of general project manager duties, schedules, budgets, communications, and documentation. We found that two projects did not follow any of the 12 best practices, two projects did not follow 11 out of 12 best practices, and one project did not follow 10 out of 12 best practices. We made 14 recommendations to increase the efficiency and effectiveness of Facilities Management's project management process and align the process with best practices. Access the Full Report on our website.

New Lease Accounting Standard

In 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, Leases. This accounting standard becomes effective for fiscal year 2021 and significantly changes the way governments account for leases. Under the new model, operating and capital leases no longer exist. Governments will report all leases as financing transactions, which results in recording an intangible asset and a liability for every lease except short term leases (less than 12 months). This will dramatically change the Commonwealth's financial statements by increasing the amount of assets and liabilities.

Beginning in fiscal year 2021, the Commonwealth will be required to implement a new lease accounting standard. Under the new standard, most of the Commonwealth's $456.5 million in operating leases, which currently are not reported as liabilities in the financial statements, will become lease liabilities.

Annually, we audit the Commonwealth's proper recording and reporting for its leases within the Comprehensive Annual Financial Report at the Department of Accounts and the Department of General Services. For fiscal year 2018, the Commonwealth's primary government had $36.7 million in capital lease liabilities and $456.5 million in operating lease commitments, which are not reported as liabilities in the Commonwealth's CAFR. Under the new standard, most of this $456.5 million in operating lease commitments will become lease liabilities. This could potentially impact the Commonwealth's debt capacity model, resulting in a reduced capacity for debt issuance.

The Commonwealth has two systems that state agencies use to account for leases. The Department of General Services manages a system that includes all real estate leases. The Department of Accounts manages a system that includes all other leases, such as equipment leases. GASB Statement No. 87 requires that governments recognize and measure existing leases using the facts and circumstances that exist at the beginning of the period of implementation, which is July 1, 2020, not the inception of the lease. Therefore, the Departments of Accounts and General Services will need to gather additional data, assess all of its leases, and implement changes to its lease systems no later than July 1, 2020, to successfully implement the new standard for fiscal year 2021. We are monitoring both agencies' implementation of GASB Statement No. 87 and will issue status reports as needed.

Revenue Reserve Fund Calculations

During the 2018 session, the General Assembly established the Revenue Reserve Fund. This fund is a special nonreverting fund that the Governor and General Assembly can use to offset certain anticipated shortfalls in revenues when appropriations based on previous forecasts exceed expected revenues in subsequent forecasts. In conjunction with the requirement for our Office to certify tax revenues used in determining if there is a constitutionally required deposit to the Revenue Stabilization Fund, the Code of Virginia § 2.2-1831.3 requires us to report on the amount that can be paid into the Revenue Reserve Fund. The Code also requires us to report the amount by which the fund is below the maximum amount permitted. Our Office will issue this report on November 1st of each year, which aligns with the Revenue Stabilization report issuance date. Our Office issued its first report on the Revenue Reserve Fund on November 1, 2019. Access the Full Report on our website.

We are KNOWLEDGEABLE

To ensure that our staff have the knowledge they need to properly perform our audits, we have a formalized training and continuous education program that combines internal and external training. In addition, we continuously follow the activities of various standard setting and regulatory bodies, providing feedback on proposed changes to help protect the interests of the Commonwealth and its localities and ensure we remain knowledgeable of the standards we must follow in performing our audits and that agencies must follow in accounting for and reporting their financial activity. We share the knowledge we have gained through our training, monitoring, and audit activities with various state, local, and other professional organizations to ensure they are aware of changing accounting standards and federal regulations, activities of our Office, and results of our projects. Participating with these organizations also serves as a great way to gather information to help us continue improving our audits.

Ensuring Our Staff are Knowledgeable

Ensuring that our staff have the knowledge and skills they need is one of our top priorities. We have an established training program that provides our auditors with a variety of general and specialized training throughout their careers. New hires receive internal training for the first two years that provides essential auditing and accounting skills and knowledge about the Commonwealth's operations. Our knowledgeable staff develop and present all internal classes.

We have an established training program that provides our audit staff with a variety of general and specialized training throughout their careers.

Annually, each auditor receives at least 40 hours of training. After the first two years, staff continue to receive annual training from internal and external sources related to governmental accounting and auditing standards as well as personal development in the areas of supervision and leadership. Some of our key external training providers include Association of Certified Fraud Examiners, Association of Government Accountants, American Institute of Certified Public Accountants, National Association of State Auditors, Comptrollers, and Treasurers, Virginia Government Finance Officers Association, Virginia Society of Certified Public Accountants, and the Virginia Commonwealth University Performance Management Group. In addition, specialized training classes develop staff to have an advanced level of knowledge in their selected area of expertise. We carefully consider the needs of each staff so that everyone does not receive the same training. Instead, our auditors meet semi-annually with their supervisors to develop an individualized training plan for the following year that considers audit experience, expertise, and areas of development in work performance.

As further discussed in the Monitoring Standards and Regulations section below, we review documents issued for comment by the various standard setting bodies to stay well-informed of the applicable auditing and accounting standards. In addition, we hold an annual accounting and auditing

update for all staff where we have internal and external presenters discuss new and emerging issues related to standards. At our May 2019 standards update, we brought in a representative from the U.S. Government Accountability Office to discuss the 2018 revision of the Yellow Book (Government Auditing Standards) and a consultant from Galasso Learning Solutions to discuss new standards from the Governmental Accounting Standards Board. We also had internal experts discuss the results of our internal quality control reviews and cover other relevant standards related topics.

Monitoring Standards and Regulations

During the year, our Office reviewed multiple documents issued for comment by the various standard setting bodies that govern the auditing standards we follow in performing our audits and the accounting standards that Virginia state and local governments must follow when reporting their financial activity. We also reviewed documents issued by federal oversight entities that establish regulations we must follow when auditing federal awards and state and local governments must follow when expending federal awards.

We follow the activities of various standard setting and regulatory bodies and provide feedback on proposed changes to help protect the interests of the Commonwealth.

Being a part of this process allows us to stay informed of upcoming changes so that we can provide technical advice to the General Assembly, state agencies and institutions, and local governments in the Commonwealth. In addition, by providing feedback to the standard setting and regulatory bodies on proposed changes, we help protect the interests of the Commonwealth in circumstances where we do not agree with the proposed changes. Table 4 summarizes the documents that we reviewed and to whom we provided responses during the year.

Table 4

Standard Setting Entity	Document Reviewed
AICPA	Exposure Draft: *Revisions to State and Local Government Client Affiliates*
AICPA	Exposure Draft: *Revisions to Statement on Standards for Attestation Engagements No. 18*
GASB	Exposure Draft: *Conduit Debt Obligations*
GASB	Exposure Draft: *Implementation Guide – Fiduciary Activities*
GASB	Exposure Draft: *Implementation Guidance Update - 2019*
GASB	Exposure Draft: *Proposed Implementation Guide - Leases*
GASB	Preliminary Views: *Financial Reporting Model Improvements*
GASB	Preliminary Views: *Recognition of Elements of Financial Statements*
OMB	2019 Compliance Supplement

AICPA *American Institute of Certified Public Accountants*
GASB *Government Accounting Standards Board*
OMB *Office of Management and Budget*

In addition to responding to the exposure drafts, the Deputy Auditor of Public Accounts testified on behalf of the National Association of State Auditors, Comptrollers, and Treasurers (NASACT) at a GASB public hearing on the Preliminary Views documents *Financial Reporting Model Improvements* and *Recognition of Elements of Financial Statements*. Both of these documents contain information on potential changes to existing accounting standards that would impact the presentation of financial information for the Commonwealth and its localities.

Also, during the year our Office provided feedback on multiple documents related to proposed changes related to the Single Audit of federal programs process including commenting on multiple versions of the OMB's draft 2019 Compliance Supplement, the draft 2019-2021 Data Collection Form, and the Federal Audit Clearinghouse's (FAC) new automated Schedule of Expenditures of Federal Awards. We also beta tested the new Data Collection Form and provided feedback to the FAC. We also worked with the AICPA on modifications to the standard language provided to auditors related to their opinion on compliance for the Single Audit that were needed due to proposed changes by OMB to the Compliance Supplement. In addition, our Compliance Assurance Specialty Team Director represented the Commonwealth of Virginia at the Single Audit Roundtable meetings in Washington D.C. At this twice-a-year event, Federal officials, a representative from the National State Auditors Association (NSAA), representatives from all the major accounting firms, and representatives from a few states' audit organizations exchange ideas, problems, solutions, and best practices for performing Single Audits.

Further, the Auditor of Public Accounts and our project manager for the Medicaid audit participated in several NSAA Emerging Issues meetings during the year covering topics such as approaches to auditing the Medicaid program, potential collaboration between state auditor offices for auditing programs such as Medicaid, and using more data analytics in audits. The meetings included representatives from numerous state audit organizations, the U.S. Government Accountability Office, and NASACT.

Finally, our Office responded to the XBRL U.S., State, and Local Government Disclosure Modernization Working Group's request for comments on the demonstration release of their Comprehensive Annual Financial Report Taxonomy project for developing standards that can improve efficiencies by automating the process of creating, collecting, and analyzing government data. Overall, our comments emphasized the importance of developing standards that ultimately enhance consistency and comparability of state and local government financial data. As an example of collecting data based on a uniform and standardized reporting structure, we provided the group information on the data published in our annual Comparative Report of Local Government Revenues and Expenditures.

Sharing Knowledge

We provide information on a variety of topics to various groups throughout the year including General Assembly members, state and local government officials and organizations, higher education groups, and other professional organizations. The following tables highlight the groups to which we provided information and the topics covered during the year.

Table 5

General Assembly Members	
House Appropriations Committee Retreat	• Provided a summary of higher education institutions' compliance with NCAA subsidy requirements outlined in Code of Virginia § 23.1-1309 and a report on the status of progress in implementing the JLARC recommendations outlined in § 4-9.04 of Chapter 836 of the 2017 Acts of Assembly. Also, discussed the initial issuance of the Higher Education Comparative Report, which we plan to update annually to show trends in higher education financial performance over subsequent fiscal years.
Joint Legislative Audit and Review Commission (JLARC)	• Gave an overview of the Auditor of Public Accounts' (APA) work plan for the upcoming fiscal year and provided information on the results of our audits from the prior year.
Joint Subcommittee on Local Government Fiscal Distress	• Provided an overview of current local fiscal distress activity including results from the first year and future refinements to the model; discussed options for addressing fiscal distress in smaller localities; and provided an update on the City of Petersburg.
Senate Finance Committee	• Provided an update on recent APA audits of agencies from the Public Safety Secretariat.

Table 6

State Government	
College and University Auditors of Virginia	• Provided updates on common findings from the prior fiscal year, legislative impacts from the 2019 General Assembly session, the APA's Higher Education Comparative Report, and federal changes that will impact the APA's audits of federal funds at higher education institutions in future fiscal years.
Compensation Board New Constitutional Officers Training	• Presented information on the Compensation Board and the role of the APA.
Fiscal Officers of Colleges and Universities State Supported	• Presented information on enrollment reporting for student financial aid including multiple aspects of reporting requirements, the APA's approach to evaluating accuracy and timeliness of reporting, common enrollment reporting errors found at institutions, and suggestions for implementing an effective quality control review. Also, participated in an open question and answer forum.
Office of the State Inspector General's State Agency Update Conference	• Provided an update on APA's current audit and work plan initiatives, including an overview of the APA's structure and strategic planning; annual audit results for CAFR, Single Audit of federal funds, and higher education audits; the APA's cycled agency and internal control questionnaire approach; various miscellaneous updates and upcoming projects impacting state agencies and higher education; an update on the successful implementation of other post-employment benefits standards; and a reminder of the upcoming implementation of the new lease standard.
Virginia State University	• Presented information to Governmental Accounting class on the preparation and audit process of the CAFR.

Table 7

Local Government	
Auditor of Public Accounts Comparative Report Transmittal Training	• Provided annual training to local government and independent audit firm employees on how to prepare Comparative Report transmittal forms in conformance with the APA Uniform Financial Reporting Manual (UFRM) requirements.
Treasurer's Association of Virginia Annual Conference	• Presented information on being prepared for the annual state audit, common audit findings from prior audits, examples of good internal controls, important annual deadlines, and the fraud triangle.
Virginia Government Finance Officers' Association Fall 2018 Conference	• Provided an update on various local government topics to include reminders on important annual audit and reporting requirements and the Comparative Report transmittal process; results of the APA's quality control reviews over CPA firms auditing Virginia's local governments; key reminders on the upcoming GASB 75 OPEB implementation; and updates to the APA's local fiscal distress monitoring process during 2018.
Virginia Resources Authority 2019 Governor's Infrastructure Financing Conference	• Provided a general overview of the APA's oversight responsibilities for local governments and an update on the APA's local fiscal distress monitoring process to include discussion of the legislative requirements; a summary of the results for 2017; enhancements made during 2018 to our ratio analysis and additional qualitative and demographic analysis; and our review process with localities identified for further follow-up.
Cherry Bekaert's Annual Government Seminars (Richmond, Newport News, and Virginia Beach) **State and Local Government Seminar sponsored by KPMG** **Virginia Government Finance Officers' Association Spring 2019 Conference**	• Provided an update on various local government topics including reminders on important fiscal year 2019 audit and reporting requirements for areas specific to the APA's Audit Specifications, the UFRM, and the Comparative Report transmittal process; significant changes resulting from the 2019 legislative session that affect local governments' financial reporting; an overview and recent results of the APA's quality control reviews over CPA firms auditing Virginia's local governments; updates on the APA's local fiscal distress monitoring process focused on the enhancements made to our analyses during 2018; and the status of our second year follow up reviews with localities.

Table 8

Other Professional Organizations	
AICPA Governmental Audit Quality Center	• Presented information during two national webinars on the Single Audit major program determination process as required by the federal government and on the new Data Collection Form for Single Audits.
AICPA Governmental Accounting and Auditing Update Conference	• Provided an update on current developments in Single Audits.
Arkansas Society of Certified Public Accountants Annual Accounting and Auditing Conference	• Presented information on how the APA uses big data and provided an update on the Single Audit process.
Guangdong (China) Provincial Audit Office	• Presented information, along with staff from the Office of the State Inspector General and JLARC, on the work we perform and our internal quality control process to auditors from the Guangdong Provincial Audit Office.
National State Auditor's Association Information Technology Conference	• Presented information to information technology auditors from other state auditor offices on data matching for audits.
VSCPA CPA Ready Workshop at Virginia Commonwealth University	• Provided information to area students about the APA and the process of becoming a CPA.
VSCPA KnowledgeNOW Conference	• Presented information on the use of big data and data analytics including exploring examples of analysis performed and outcomes; software tools that can be used for performing such analysis; and the impact it can have on making decisions and establishing future strategies

AICPA American Institute of Certified Public Accountants
VSCPA Virginia Society of Certified Public Accountants

Being Leaders in Our Profession

In addition to making presentations to various state, local, and other groups, our staff also participate in leadership roles in various groups that are opportunities for professional development as well as opportunities to have a voice in the activities that impact our Office and the entities that we audit. Table 9 below contains organizations in which our staff participate in leadership roles. Due to their relevance to the work we perform, in some cases, we have multiple staff involved in a particular committee.

Outside Organization Leadership Roles

Table 9

Organization	Leadership Role
Association of Government Accountants:	
Intergovernmental Partnership Steering Committee	Committee Member
AICPA:	
Awards Committee	Committee Member
Governing Council	Council Member
Government Audit Quality Center	Executive Committee Member
Governmental Accounting and Auditing Update Conference Planning Committee	Chair
Government Accountability Office:	
Yellow Book Advisory Council	Council Member
Government Finance Officers Association:	
Industry Working Group on Municipal Market Disclosure	Group Member
NASACT:	
Committee on Accounting, Reporting, and Auditing	Co-Chair and Committee Members
Communications Work Group	Group Member
Executive Committee	Committee Member
GASAC Subcommittee	Subcommittee Member
Leases Implementation Work Group	Co-Chair and Members
Uniform Guidance Implementation Work Group	Co-Chair and Members
NSAA:	
Audit Standards and Reporting Committee	Chair and Members
Human Resources Committee	Committee Member
IT Conference Program	Committee Members
Excellence in Accountability Awards Committee	Committee Member
Executive Committee	Secretary/Treasurer
Nominating Committee	Committee Member
Peer Review Committee	Team Lead and Committee Member
Single Audit Committee	Chair and Members
VSCPA:	
Accounting and Auditing Committee	Committee Member
Awards Committee	Committee Member
Disclosures Magazine	Columnist
Innovation Advisory Council	Council Member
Nominations Committee	Committee Member

AICPA American Institute of Certified Public Accountants
GASAC Governmental Accounting Standards Advisory Council
NSAA National State Auditors Association
VSCPA Virginia Society of Certified Public Accountants

We are PROFESSIONAL

Our mission drives us each day to support the Commonwealth in creative and new ways. Over the years, we have developed a solid organizational structure of professional staff on which to perform our constitutionally driven responsibilities. To learn more about our structure and the types of individuals that work at the Office, please see our Office Overview document at Appendix A.

Recognizing the Accomplishments of Our Staff

We recognize that our staff are key to achieving our mission. Therefore, we strive to create a positive work environment that will help us to recruit and retain talented staff. A few of the ways we strive to create a positive work environment include offering flexible work schedules and teleworking options as well as having periodic events to recognize staff accomplishments such as our Employee Appreciation Week, June ice cream event, and new hire welcome luncheons. In addition, each Specialty Team sponsors a lunch event during the year with an activity that fosters collaboration and allows our staff that are frequently working at locations away from our Office to interact with each other. In addition, as discussed in the We are Knowledgeable section above, we work to ensure that we are providing our staff with the training they need to help us maintain a high level of quality on our audits and developing future leaders for our Office.

Maintaining a Positive Work Environment

Because we believe the APA is a great place to work, for the past six years we have participated in the Richmond's Top Workplaces event sponsored by the Richmond Times-Dispatch and Energage and were recognized as one of Richmond's Top Workplaces. To participate, employers and their employees completed anonymous surveys about their workplace.

In March, as a result of the feedback received from our staff, the Auditor of Public Accounts was recognized as one of Richmond's Top 65 Workplaces in the Richmond Times Dispatch. This is the sixth consecutive year that we have received this recognition and the APA is one of only 12 employers that have been on the list for each of the six years it has been in existence. In addition, in May the Auditor of Public Accountants (APA) received special recognition in the "Work/life flexibility" category in an article in the Richmond Times Dispatch. The APA was one of only 12 companies that was recognized with a special award.

In May, we held our annual statewide meeting for our staff. During the day, we had several team building activities geared toward helping all staff learn some interesting facts about each other as well as learning to work together in different team environments. In addition, we had sessions on listening skills, information security awareness, legislative activities during the 2019 session, and our Higher Education Comparative Report, which was issued during the prior year.

Our staff believe in giving back to the communities in which we live, volunteering with multiple local organizations during the year including the Down Syndrome Association of Greater Richmond, FeedMore Virginia, Habitat for Humanity Chesterfield ReStore, and Junior Achievement of Central Virginia. In addition, over 30 APA employees participated in the Virginia Society of Certified Public Accountants' CPAsGiveBack campaign volunteering at FeedMore Virginia, Habitat for Humanity Richmond ReStore, and St. Joseph's Villa during Virginia CPA Week.

Continuing our Strategic Planning Initiatives

During 2019, as we neared the end of our 2015 through 2020 strategic plan, we have prioritized our efforts related to the remaining tasks in our four strategic goals as detailed below. In early 2020, we will begin a new strategic planning process that will continue to focus on our value-based leadership. This strategic plan, which we will finalize in late 2020, will drive our internal goals and actions in the future.

The focus of the **Build Our Culture** strategic goal is to continue to build an internal culture that aligns with our core values to guide how we approach our work, internally and externally, and to shape our brand with our stakeholders. During the year, the **Build Our Culture** team facilitated a team building exercise at our annual statewide meeting that focused on reinforcing our core values. The team also coordinated the placement of permanent signage around the Office displaying our values to serve as a visual reinforcement of our values for employees and visitors of our Office. Also, the Office purchased mouse pads for our staff that display our values. The **Build Our Culture** team also created a LinkedIn page for the Office to assist in our recruiting efforts by

showcasing our culture. Further, to ensure our Office is communicating our values to future employees, the Office implemented initiatives started in the prior year by the **Build Our Culture** and **Strengthen and Retain Our Staff** teams to redesign our recruiting displays and packets.

The purpose of the **Strengthen and Retain Our Staff** strategic goal is to increase our investment in developing our team, with an emphasis on developing current and future leaders and recruiting, training, and retaining the best talent. During the year, the team continued to refine the previously developed audit project feedback and annual evaluation process to more directly align with the Office's core values and clearly provide staff recognition for achievements and useful information for professional development. In addition, the team created an interim audit project feedback tool. Further, the **Strengthen and Retain Our Staff** team have made progress toward designing a new peer recognition program and refining the exit and stay interview processes to maximize the amount of information available to management regarding factors that result in greater employee retention. The team anticipates completing these initiatives in advance of the new strategic plan to be developed next year.

*During the year the **Strengthen and Retain Our Staff** and **Build Our Culture** teams worked along with our **New Hire Development** team to create a comprehensive six-month development program to provide new hires with tools for professional growth and opportunities for exposure to Office specialty teams.*

A significant strategic planning initiative in our Office has been the creation of a development program for new hires. The **Strengthen and Retain Our Staff** team worked with the New Hire Development team to create a comprehensive six-month development program to provide new hires with tools for professional growth and opportunities for exposure to Office specialty teams. We will be implementing this new process beginning in January 2020. Throughout the six-month time period, new hires will be prompted to set professional goals, consider Office specialty interests, and meet with team Directors and staff. At the end of the development period, each new hire will be placed on a well-suited specialty team that is mutually beneficial for the Office and the staff. The **Build Our Culture** team also collaborated with the New Hire Development team to utilize the development program's strategies as part of the Office's recruiting efforts. During recruitment, and in the interview process, the development program is explained to potential new hires to showcase the Office culture and demonstrate professional growth and knowledge opportunities.

Another strategic goal of our Office is to **Be a Leader in the Profession** by remaining current and innovative in our work and practices. During the year, our Information Technology Project Management team developed a new approach for its systems development project management status monitoring. To augment our existing review process, we have selected a single topical area related to compliance with the applicable project management regulations agencies must follow to review and report on for the system developments projects we have selected for monitoring. We will include the results related to this new topical area in our next progress report on system development projects. In addition, as detailed in the Being Leaders in Our Profession section, we continued to encourage our staff to participate in outside organizations, as this is an opportunity to remain current and increase our knowledge related to new approaches being utilized by other audit organizations. To support this

initiative, one of our specialty team directors recently accepted an invitation to become a member of the Virginia Society of Certified Public Accountants Innovation Advisory Council.

Finally, the objective of the **Communicate Our Value** strategic goal is to strengthen our relationships, emphasize our value, and enhance the ability of our stakeholders to utilize our work to make better decisions. In support of this strategic goal, we continued throughout the year to enhance our internal report writing training for staff and emphasize the content and relevancy of our reports for stakeholders' use. As part of our internal quality control review process performed each year over a selection of our audits, we implemented an additional component focused on our review of audit reports to ensure the proper elements of our findings and recommendations are included, and to review the overall content of our reports for clarity and consistency with our internal writing practices. The Office has used the results of these internal report reviews to highlight any common reporting deficiencies and areas for improvements to assist managers and staff for future report writing. Additionally, as we move forward into next year, we are using the results of our new report review process to enhance our internal report writing training classes and to develop a reporting checklist to provide guidance and a resource tool that will assist our staff's own review of their report writing to help prevent common reporting deficiencies and improve the relevancy and clarity of the message that the Office communicates through our reports.

To further support the **Communicate Our Value** strategies, as discussed in the We are Collaborative section, we continued to strengthen our relationship with the CPA firms that audit localities and certain authorities, boards, and commissions within the Commonwealth of Virginia by issuing two newsletters to communicate important audit and financial reporting information to the firms. Further, our goals of strengthening relationships and improving stakeholders ability to use our work are exemplified through other initiatives performed during the year and discussed under the Supporting Local Government section. These initiatives include our workgroup meeting with the primary CPA firms that perform local government audits that focused on making improvements and efficiencies with the Office's local government audit specifications, along with our continued participation with the national Government Fiscal Sustainability Workgroup to share knowledge and experiences and learn from other states in order to enhance the process and results of the Office's local fiscal distress monitoring. Finally, the **Communicate Our Values** team has been exploring ways to better utilize Twitter and our website to communicate information about the value work our Office performs.

Highlighting Administrative and Financial Activities

Structure and Funding

The Auditor of Public Accounts is a Constitutional Officer, serving as the external auditor for all non-legislative state entities of the Commonwealth. The General Assembly elects the Auditor to serve a four-year term, and the Auditor reports to the General Assembly through the Joint Legislative Audit and Review Commission. Virginia's Constitution and the Code of Virginia define the Auditor's duties. This structure provides independence from the agencies and institutions audited.

We receive approximately 85 percent of our funding from the General Fund of the Commonwealth with the remaining 15 percent resulting primarily from billings for federal, pension, and other postemployment benefits audit work. Additionally, we annually bill and directly deposit revenue into the General Fund for local court and select agency audits, which was approximately $430,000 during fiscal year 2019. Personnel costs make up approximately 90 percent of our budgeted expenses.

Recruiting and Retaining Staff

We have continued our efforts to rebuild and maintain our staffing levels as shown in Table 10 to the right. From 2015 to 2018, we were successful in recruiting and hiring new staff. However, we experienced some staff turnover during the year, losing staff to other Commonwealth entities and companies offering higher compensation and additional advancement opportunities. While we continue to actively recruit new staff, the strong market for accounting and auditing positions has hampered our recruiting efforts. As it is critical that we build and maintain our staffing level in order to complete our mandated audits and activities, we have reviewed our current compensation and organizational structure and have developed some proposed changes to assist us in recruiting and retaining staff. However, implementation of the new structure is dependent on our available budget. In addition, as discussed in the Continuing our Strategic Planning Initiatives section of our report, our Strengthen and Retain Our Staff strategic goal is focused on strengthening our recruiting efforts and enhancing our training opportunities and retention programs.

Table 10

Staffing Overview	
Approved staffing level	136
Actual Staff	
June 30, 2015	121
June 30, 2016	122
June 30, 2017	126
June 30, 2018	132
June 30, 2019	123

We perform many of our audits because they have statutory mandates, support federal regulations, or fulfill bond covenant requirements. Other work performed by our Office, such as maintaining Commonwealth Data Point and performing local fiscal distress monitoring, fulfills additional statutory mandates. Over the last few years, the number of mandatory hours in our work plan have increased related to new standards, regulations, and legislation, some of which we have discussed in the sections above. Therefore, in recent years, we have had to strategically manage our resources to ensure we accomplish our required work. We have continued to look for new approaches that allow us to be more innovative and efficient in performing our work. In addition, we have had to limit the number of new risk-based projects in order to focus on our mandatory responsibilities. To the extent feasible, we

continue to build risk-based audits into our work plan and will rededicate staffing resources to these types of audits as they become available.

Being Good Stewards

As reflected above, we strive to make the most of our available resources while ensuring we remain good stewards of the Commonwealth's funds. Table 11 below reflects our budget to actual performance for fiscal year 2019. During the year, we requested and received an adjustment of $385,000 to our Special Revenue Fund for the purchase of additional hardware and software to replace hardware that had reached the end of its useful life and expand our data storage capacity.

Analysis of APA Original and Adjusted Budget verses Actual Expenses by Funding Source
For the Year Ending June 30, 2019

Table 11

Funding Source	Original Budget	Adjusted Budget	Actual Expenses	Variance
General Fund	$12,221,188	$12,323,220	$12,115,481	$207,739
Special Revenue	1,553,959	1,938,959	1,938,959	-
Total	**$13,775,147**	**$14,262,179**	**$14,054,440**	**$207,739**

Table 12 reflects our original budget for fiscal year 2020. The budget reflects a $250,000 increase in our Special Revenue Fund to account for additional billable audit work currently being performed by our Office.

APA Original Budget
For the Year Ending June 30, 2020

Table 12

Funding Source	Original Budget
General Fund	$12,221,188
Special Revenue	1,803,959
Total	**$14,025,147**

In 2020, we will continue to maximize our available staffing resources, while living within our available funding, so that we may continue the valuable work our Office performs. We also plan to renew our focus on strengthening and retaining our staffing resources, allowing us to address projects resulting from new legislative and regulatory mandates, as well as projects identified through our risk assessment process.

Auditor of Public Accounts

Commonwealth of Virginia

Martha S. Mavredes, CPA

OUR MISSION

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

www.apa.virginia.gov

Who We Are

The Auditor of Public Accounts (APA) acts as the General Assembly's eyes and ears, independently monitoring and reporting how state agencies and institutions spend taxpayers' money. The agency helps the Commonwealth's leaders address the challenges facing Virginia today by providing sound, reliable information and alternatives. The Auditor, a constitutional officer elected to a four-year term, reports to the General Assembly through the Joint Legislative Audit and Review Commission (JLARC). While the Auditor's duties are defined by the Virginia Constitution and the Code of Virginia, JLARC approves the APA Workplan annually.

The APA serves as the external auditor for all independent, judicial, and executive branch state agencies and higher education institutions in the Commonwealth. In many respects, the Auditor's Office operates like a CPA firm, with the Auditor serving as the managing partner.

The APA receives about 90 percent of its funding from the General Fund of the Commonwealth with the remaining 10 percent resulting from billings for federal, pension, and other postemployment benefits audit work.

What We Do

The primary focus of the APA is conducting Code of Virginia and federally-mandated audits such as the Commonwealth's Comprehensive Annual Financial Report (CAFR), the Single Audit of federal funds, and the Commonwealth's higher education institutions. We also audit pension and other postemployment benefit amounts used by state and local government employers in preparing their financial statements.

In addition, the Auditor completes a risk assessment of the agencies and institutions not mandated for review and evaluates key issues facing the Commonwealth. Most non-mandated audits and reviews are designed to ensure that an agency has internal controls in place to protect the public's money and that they spend it the way the General Assembly planned. We also evaluate agency and institutional compliance with state and federal laws and regulations. The Office's remaining resources are dedicated to special projects focused on emerging issues that may require General Assembly consideration or action.

Professional, Knowledgeable Staff

We're More Than Auditors

In addition to auditing, APA is charged with:

Maintaining Commonwealth Data Point, an online resource on State spending

◆

Monitoring fiscal distress at Virginia's local governments

◆

Investigating local, agency, and institutional fraud cases

◆

Monitoring major IT projects and contracts

◆

Reviewing all Virginia courts

◆

Overseeing local government audits by public accounting firms

The Auditor's Office is comprised of a diverse group of professionals with a wide range of educational and professional backgrounds in accounting, business administration, finance, and information technology. From CPAs to MBAs, our staff hold over 20 different types of professional certifications and are actively involved in relevant professional organizations, such as the National Association of State Auditors, Comptrollers, and Treasurers (NASACT), the Association of Certified Fraud Examiners (ACFE), and the Information Systems Audit and Control Association (ISACA). The office expertise is spread over 11 specialty teams regularly trained in specific skills to help meet the agency's mission covering areas such as capital asset and contract management, higher education programs, information technology, judicial systems, and strategic risk management.

How Can We Help?

General Assembly members can request technical assistance from the Auditor's Office in understanding the financial operations of the Commonwealth and its localities. Simply call or e-mail the Auditor with your question or request.

Likewise, state agencies and institutions can make similar requests regarding specific areas of focus for review within their organizations by contacting our office directly.

Our Reports

APA's reports provide process and policy change recommendations to help the Commonwealth avoid costs or enhance its fiscal management of agency programs. Each year in the fall, the APA submits an Annual Report to the General Assembly, which highlights the previous year's reports and emerging issues. This and all reports issued by our Office since 1998 are available on our website:www.apa.virginia.gov/

Collaborative / Engaged / Knowledgeable / Professional

Auditor of Public Accounts, P.O. Box 1295, 101 N. 14th Street, Richmond, VA 23219, (804) 225-3350

The following is a listing of all reports and letters issued by the Auditor of Public Accounts during the fiscal year ended June 30, 2019. We have organized this section to correspond, where applicable, with the Engaged section of the report. In some cases, audits support multiple aspects of our work plan. For purposes of this section of the report, we have only listed an audit in the most relevant category. An asterisk (*) indicates the report includes audit findings and recommendations.

Agencies, Institutions, and Authorities	
Agency	**Audit Period**
CAFR and/or Single Audit	
Agencies of the Secretary of Finance*	July 1, 2017, through June 30, 2018
Agencies of the Secretary of Health and Human Resources*	July 1, 2017, through June 30, 2018
Agencies of the Secretary of Transportation*	July 1, 2017, through June 30, 2018
Commonwealth of Virginia Single Audit Report*	July 1, 2017, through June 30, 2018
Department of Corrections – Audit of Select Cycles*	July 1, 2017, through June 30, 2018
Department of Education including Direct Aid to Public Education*	July 1, 2017, through June 30, 2018
Department of Emergency Management – Audit of Select Federal Programs*	July 1, 2017, through June 30, 2018
Department of General Services' Division of Real Estate Services*	July 1, 2017, through June 30, 2018
Department of Housing and Community Development – Low-Income Home Energy Assistance Federal Grant Program	July 1, 2017, through June 30, 2018
Department of Human Resource Management*	July 1, 2017, through June 30, 2018
Internal Control Report on Local Government Investment Pool, Virginia College Building Authority, Virginia Public Building Authority, and Virginia Public School Authority	July 1, 2017, through June 30, 2018
Virginia Alcoholic Beverage Control Authority*	July 1, 2017, through June 30, 2018
Virginia Employment Commission*	July 1, 2017, through June 30, 2018
Virginia Lottery*	July 1, 2017, through June 30, 2018
Virginia Retirement System	July 1, 2017, through June 30, 2018
Pensions and Other Post Employment Benefits Special Reviews	
Department of Human Resource Management GASB 75 Schedules: Commonwealth of Virginia State Health Plans Program for Pre-Medicare Retirees	July 1, 2016, through June 30, 2017

Pensions and Other Post Employment Benefits Special Reviews *(cont.)*	
Virginia Retirement System GASB 68 Schedules:	
Political Subdivision Retirement Plans	July 1, 2016, through June 30, 2017
State Employee Retirement Plan	July 1, 2016, through June 30, 2017
Teacher Retirement Plan	July 1, 2016, through June 30, 2017
Virginia Retirement System GASB 75 Schedules:	
Disability Insurance Program	July 1, 2016, through June 30, 2017
Group Life Insurance Plan	July 1, 2016, through June 30, 2017
Line of Duty Act Program	July 1, 2016, through June 30, 2017
Political Subdivision Health Insurance Credit Plans	July 1, 2016, through June 30, 2017
State Health Insurance Credit Plan	July 1, 2016, through June 30, 2017
Teacher Health Insurance Credit Plan	July 1, 2016, through June 30, 2017
Virginia Retirement System Management's Assertions Related to Census Data	July 1, 2015, through June 30, 2016
Virginia Retirement System Management's Assertions Related to Census Data for OPEB Plans	July 1, 2015, through June 30, 2016
Higher Education Institutions	
Christopher Newport University*	July 1, 2017, through June 30, 2018
George Mason University*	July 1, 2017, through June 30, 2018
George Mason University Intercollegiate Athletics Programs	July 1, 2017, through June 30, 2018
Higher Education Comparative Report	July 1, 2016, through June 30, 2017
J. Sargeant Reynolds Community College Review Report	July 1, 2017, through June 30, 2018
James Madison University*	July 1, 2017, through June 30, 2018
James Madison University Intercollegiate Athletics Programs	July 1, 2017, through June 30, 2018
Longwood University Intercollegiate Athletics Programs	July 1, 2017, through June 30, 2018
Mountain Empire Community College Review Report	July 1, 2017, through June 30, 2018
Norfolk State University*	July 1, 2017, through June 30, 2018
Norfolk State University Intercollegiate Athletics Programs	July 1, 2017, through June 30, 2018
Old Dominion University*	July 1, 2017, through June 30, 2018
Old Dominion University Intercollegiate Athletics Programs	July 1, 2017, through June 30, 2018
Piedmont Virginia Community College Review Report	July 1, 2017, through June 30, 2018
Progress Report on Implementation of JLARC Recommendations	As of June 2018
Radford University*	July 1, 2017, through June 30, 2018
Radford University Intercollegiate Athletics Programs	July 1, 2017, through June 30, 2018

Higher Education Institutions *(cont.)*	
Report on Compliance – NCAA Subsidy Percentage Requirements	July 1, 2016, through June 30, 2017
Richard Bland College Review Report	July 1, 2016, through June 30, 2017
Richard Bland College Review Report	July 1, 2017, through June 30, 2018
Student Financial Assistance Programs Cluster*	July 1, 2017, through June 30, 2018
The College of William and Mary in Virginia Intercollegiate Athletics Programs	July 1, 2017, through June 30, 2018
The College of William and Mary in Virginia, Virginia Institute of Marine Science, and Richard Bland College*	July 1, 2017, through June 30, 2018
University of Mary Washington*	July 1, 2017, through June 30, 2018
University of Virginia*	July 1, 2017, through June 30, 2018
University of Virginia Intercollegiate Athletics Programs	July 1, 2017, through June 30, 2018
Virginia Community College System*	July 1, 2016, through June 30, 2017
Virginia Commonwealth University*	July 1, 2017, through June 30, 2018
Virginia Commonwealth University Intercollegiate Athletics Programs	July 1, 2017, through June 30, 2018
Virginia Military Institute*	July 1, 2017, through June 30, 2018
Virginia Military Institute Intercollegiate Athletics Programs	July 1, 2017, through June 30, 2018
Virginia Polytechnic Institute and State University*	July 1, 2017, through June 30, 2018
Virginia Polytechnic Institute and State University Intercollegiate Athletics Programs	July 1, 2017, through June 30, 2018
Pool II Cycled Agency Audits	
Department of Conservation and Recreation – Audit of Capital Assets*	July 1, 2016, through June 30, 2017
Department of Game and Inland Fisheries*	July 1, 2016, through June 30, 2017
Department of General Services	July 1, 2015, through June 30, 2016
Department of Veterans Services – Audit of Capital Assets*	July 1, 2016, through June 30, 2017
Disability Service Agencies – Audit of Select Cycles*	July 1, 2016, through June 30, 2017
Judicial Branch – Audit of Capital Assets and Information Technology Project Management*	July 1, 2016, through June 30, 2017
Judicial Branch – Audit of Select Business Cycles*	July 1, 2017, through June 30, 2018
Review of the Department of Fire Programs*	As of August 2018
State Corporation Commission – Audit of Information Security and Travel and Small Purchase Charge Card Expenses*	July 1, 2016, through June 30, 2017
Veterans Services Foundation*	July 1, 2017, through June 30, 2018

Pool II Cycled Agency Audits *(cont.)*	
Virginia Department of State Police – Audit of Select Business Cycles*	July 1, 2016, through June 30, 2017
Virginia Land Conservation Foundation – Audit of Revenue and Other Transfers	July 1, 2016, through June 30, 2017
Internal Control Questionnaire Reviews	
Commonwealth's Attorneys' Services Council*	As of March 2018
Department of Aviation*	As of July 2018
Department of Historic Resources*	As of April 2019
Department of Human Resource Management*	As of June 2018
Department of Professional and Occupational Regulation*	As of May 2018
Department of Rail and Public Transportation*	As of July 2018
New College Institute*	As of April 2018
Office of Children's Services*	As of June 2018
State Board of Elections*	As of August 2018
State Compensation Board*	As of July 2018
Virginia Department of Agriculture and Consumer Services*	As of July 2018
Virginia Museum of Fine Arts*	As of June 2018
Other Mandatory or Risk-Based Audits	
9-1-1 Services Board	July 1, 2016, through June 30, 2017
Clerk of the Supreme Court of Appeals in Virginia	July 1, 2016, through June 30, 2017
Clerk of the Supreme Court of Virginia	July 1, 2016, through June 30, 2017
Commonwealth Health Research Board	July 1, 2016, through June 30, 2018
Department of Housing and Community Development – Virginia Growth and Opportunity Fund	July 1, 2016, through June 30, 2018
Department of Housing and Community Development – Virginia Removal or Rehabilitation of Derelict Structures Fund	July 1, 2016, through June 30, 2018
Department of Mines, Minerals, and Energy	July 1, 2011, through June 30, 2017
Innovation and Entrepreneurship Investment Authority	July 1, 2016, through June 30, 2017
Office of the Attorney General and Department of Law and Division of Debt Collection*	July 1, 2017, through June 30, 2018
Potomac River Fisheries Commission*	July 1, 2017, through June 30, 2018
Review of the Rappahannock River Basin Commission Financial Information, and the George Washington Regional Commission	July 1, 2017, through June 30, 2018
Tobacco Region Revitalization Commission	July 1, 2016, through June 30, 2017

Other Mandatory or Risk-Based Audits *(cont.)*	
Virginia Biotechnology Research Partnership Authority	July 1, 2017, through June 30, 2018
Virginia Board of Bar Examiners	July 1, 2016, through June 30, 2017
Virginia Economic Development Partnership	July 1, 2017, through June 30, 2018
Virginia Health Workforce Development Authority*	July 1, 2016, through June 30, 2017
Virginia Lottery – Reports on Applying Agreed-Upon Procedures:	
Cash4Life	April 2017 through March 2018
Mega Millions	April 2017 through March 2018
Megaplier	April 2017 through March 2018
Power Play	April 2017 through March 2018
Powerball	April 2017 through March 2018
Virginia State Bar	July 1, 2016, through June 30, 2017

Special Reports	
2018 Annual Report of the Auditor of Public Accounts	July 1, 2017, through June 30, 2018
2018 Internal Control Questionnaire Results*	January 1, 2018, through December 31, 2018
Comparative Report of Local Government Revenue and Expenditures	July 1, 2017, through June 30, 2018
Cycled Agency Procurement Review*	July 1, 2016, through June 30, 2017
Report on Collections of Commonwealth Revenues by Local Constitutional Officers*	July 1, 2017, through June 30, 2018
Report to the Joint Legislative Audit and Review Commission	April 1, 2018, through June 30, 2018
Report to the Joint Legislative Audit and Review Commission	July 1, 2018, through September 30, 2018
Report to the Joint Legislative Audit and Review Commission	October 1, 2018, through December 31, 2018
Report to the Joint Legislative Audit and Review Commission	January 1, 2019, through March 31, 2019
Revenue Stabilization Fund Calculations	July 1, 2017, through June 30, 2018
Review of Chapters 759/769 Bond Issuance Limit*	July 1, 2017, through June 30, 2018
Virginia District Court System*	July 1, 2016, through June 30, 2017

The following lists the general receivers, courts, magistrates, and state account reports issued during the fiscal year ended June 30, 2019. An asterisk (*) indicates the report includes audit findings and recommendations. A hashtag (#) indicates an entity for which we issued two or more reports during the audit period.

Judicial and State Accounts			
Circuit Courts			
Accomack*	Dickenson*#	Lynchburg*	Russell
Albemarle	Essex*	Mathews#	Salem*
Alleghany	Fauquier*	Mecklenburg	Scott
Amelia	Floyd	Montgomery	Shenandoah*
Amherst	Fluvanna	Nelson	Smyth
Arlington*	Franklin County*	New Kent*	Southampton
Augusta#	Frederick	Newport News	Spotsylvania
Bedford	Gloucester*	Northampton*	Stafford
Bland	Goochland	Northumberland	Staunton*
Bristol	Grayson	Orange*#	Surry
Buena Vista	Greene*#	Patrick*	Sussex*
Campbell*	Halifax	Petersburg*	Tazewell
Caroline*	Hampton	Pittsylvania*	Virginia Beach
Carroll	Henrico	Portsmouth	Washington#
Charles City*	Henry*	Prince Edward	Waynesboro
Charlotte	Highland	Prince William*	Westmoreland*
Chesapeake	Hopewell	Pulaski	Williamsburg/ James City County
Chesterfield	King and Queen	Radford	Winchester
Colonial Heights*	King William*	Rappahannock*	Wise/City of Norton
Craig	Lee	Richmond County	
Culpeper*	Loudoun	Roanoke County*#	
Cumberland	Louisa*	Rockbridge*	
Circuit Court - Clerk Turnover Audits			
Augusta	Greene	Prince Edward	Wythe
Buckingham#	Greensville/City of Emporia		
General Receivers			
Alexandria*	Buchanan	Loudoun	Russell
Arlington	Lee	Lynchburg	Wise

General District Courts			
Albemarle*	Fairfax County*	Mecklenburg	Rockbridge*
Alexandria	Fauquier*	Middlesex*	Rockingham
Amherst	Franklin	Montgomery	Shenandoah
Appomattox	Frederick	Nelson	Smyth
Arlington	Fredericksburg	New Kent	Spotsylvania
Augusta	Gloucester	Newport News	Stafford*
Bristol	Halifax	Norfolk	Staunton
Campbell	Hampton	Northumberland	Suffolk*
Carroll	Hanover*	Orange	Tazewell
Caroline*	Henry	Page	Virginia Beach
Charlotte	Isle of Wight*	Patrick	Warren*
Charlottesville*	King and Queen	Petersburg*	Washington
Chesapeake	King William	Pittsylvania	Waynesboro
Chesterfield	Lancaster	Portsmouth*	Westmoreland
Clarke	Loudoun*	Prince William*	Williamsburg/ James City County
Colonial Heights*	Louisa	Pulaski	Winchester
Culpeper	Lynchburg*	Richmond (Civil Division)	Wise/City of Norton*
Danville	Martinsville	Richmond (John Marshall Criminal - Traffic)*	Wythe
City of Fairfax	Mathews*	City of Roanoke*	York
Juvenile and Domestic Relations District Courts			
Albemarle*	Fairfax County*	Mecklenburg	Rockingham*
Alexandria	Fauquier*	Middlesex	Shenandoah
Amherst	Franklin County*	Montgomery	Smyth
Appomattox	Frederick	Nelson	Spotsylvania*
Arlington	Fredericksburg	Newport News	Stafford
Augusta*	Gloucester	New Kent	Staunton*
Bedford*	Halifax	Norfolk	Suffolk
Bristol	Hampton*	Northumberland	Tazewell
Campbell*	Hanover*	Orange	Virginia Beach
Caroline	Henrico*	Page	Warren
Carroll	Henry	Patrick	Washington
Charlotte	Isle of Wight	Petersburg	Waynesboro
Charlottesville	King and Queen	Pittsylvania*	Westmoreland*
Chesapeake*	King William	Portsmouth*	Williamsburg/ James City County*
Chesterfield	Lynchburg*	Prince William*	Winchester

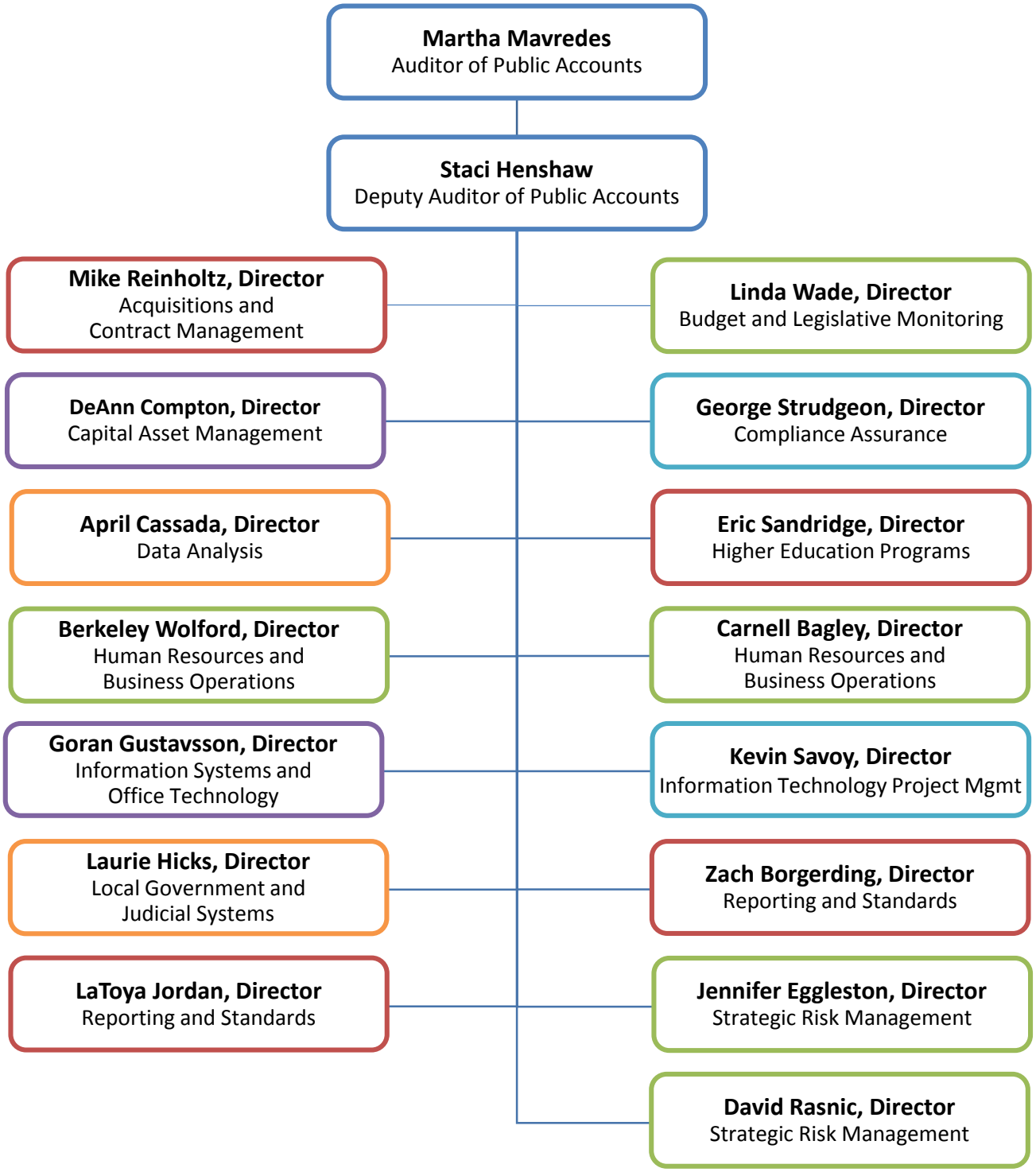
Juvenile and Domestic Relations District Courts (*cont.*)			
Clarke	Loudoun*	Pulaski	Wise/City of Norton*
Colonial Heights	Louisa	City of Roanoke*	Wythe
Culpeper*	Martinsville	Roanoke County	York*
Danville*	Mathews	Rockbridge	
Combined General District Courts			
Alleghany	Dickenson*	Greene	Radford
Amelia	Dinwiddie	Greensville	Rappahannock
Bath*	Emporia	Highland	Richmond County
Bland	Essex	Hopewell	Russell*
Botetourt*	Falls Church*	King George	Salem
Brunswick*	Floyd	Lee	Scott
Buchanan	Fluvanna	Lunenburg	Southampton
Buckingham	City of Franklin*	Madison*	Surry*
Buena Vista*	Galax	Nottoway	Sussex*
Charles City	Giles	Powhatan	
Craig	Goochland	Prince Edward	
Cumberland	Grayson*	Prince George*	
State Accounts			
Accomack	Dickenson	Lancaster	Pulaski
Albemarle	Dinwiddie	Lee	Radford
Alexandria*	Emporia	Lexington	Rappahannock
Alleghany	Essex	Loudoun	City of Richmond
Amelia	City of Fairfax	Louisa	Richmond County
Amherst	Fairfax County	Lunenburg	City Roanoke*
Appomattox	Falls Church*	Lynchburg	Roanoke County
Arlington	Fauquier	Madison	Rockbridge
Augusta	Floyd	Manassas Park	Rockingham
Bath	Fluvanna	Martinsville	Russell
Bedford	City of Franklin	Mathews	Salem
Bland	Franklin County	Mecklenburg	Scott*
Botetourt	Frederick	Middlesex	Shenandoah
Bristol	Fredericksburg	Montgomery	Smyth
Brunswick	Giles	Nelson	Southampton
Buchanan	Gloucester	New Kent	Spotsylvania
Buckingham	Goochland	Newport News	Stafford
Buena Vista	Grayson	Norfolk	Staunton
Campbell	Greene	Northampton	Suffolk
Caroline	Greensville	Northumberland	Surry

State Accounts *(cont.)*			
Carroll	Halifax	Norton	Sussex
Charles City	Hampton	Nottoway	Tazewell
Charlotte	Hanover	Orange	Virginia Beach
Charlottesville	Harrisonburg	Page	Warren
Chesapeake	Henrico	Patrick	Washington*
Chesterfield	Henry	Petersburg	Waynesboro
Clarke	Highland	Pittsylvania	Westmoreland*
Colonial Heights	Hopewell	Poquoson*	Williamsburg*
Covington	Isle of Wight	Portsmouth	Winchester
Craig	James City*	Powhatan	Wise
Culpeper	King and Queen	Prince Edward	Wythe
Cumberland	King George*	Prince George	York
Danville	King William	Prince William	
State Accounts - Turnover Audits			
Amelia	Montgomery	Southampton	Virginia Beach
Buchanan	Russell	Sussex	York
Giles			
Magistrates			
District 01 – City of Chesapeake			
District 02 – City of Virginia Beach*			
District 03 – City of Portsmouth			
District 04 – City of Norfolk*			
District 05 – Cities of Franklin and Suffolk; Counties of Isle of Wight and Southampton			
District 06 – Cities of Emporia and Hopewell; Counties of Brunswick, Greensville, Prince George, Surry, and Sussex			
District 07 – City of Newport News			
District 08 – City of Hampton			
District 10 – Counties of Appomattox, Buckingham, Charlotte, Cumberland, Halifax, Lunenburg, Mecklenburg, and Prince Edward			
District 11 – City of Petersburg; Counties of Amelia, Dinwiddie, Nottoway, and Powhatan*			
District 12 – City of Colonial Heights; County of Chesterfield			
District 13 – City of Richmond			
District 14 – County of Henrico#			
District 15 – City of Fredericksburg; Counties of Caroline, Essex, Hanover, King George, Lancaster, Northumberland, Richmond, Stafford, Spotsylvania, and Westmoreland			
District 16 – City of Charlottesville; Counties of Albemarle, Culpeper, Fluvanna, Goochland, Greene, Louisa, Madison, and Orange			
District 17 – County of Arlington*			

Magistrates *(cont.)*
District 18 – City of Alexandria#
District 19 – County of Fairfax
District 20 – Counties of Fauquier and Loudoun
District 21 – City of Martinsville; Counties of Henry and Patrick
District 22 – City of Danville; Counties of Franklin and Pittsylvania*
District 23 – Cities of Roanoke and Salem; County of Roanoke
District 24 – City of Lynchburg; Counties of Amherst, Bedford, Campbell, and Nelson
District 25 – Cities of Buena Vista, Staunton, and Waynesboro; Counties of Alleghany, Augusta, Bath, Botetourt, Craig, Highland, and Rockbridge
District 26 – City of Winchester; Counties of Frederick, Page, Shenandoah, Rockingham, and Warren*
District 27 – Cities of Galax and Radford; Counties of Carroll, Floyd, Giles, Grayson, Montgomery, and Pulaski
District 28 (and certain counties of Districts 27 and 29) – City of Bristol; Counties of Bland, Russell, Smyth, Tazewell, Washington, and Wythe
District 30 – City of Norton; Counties of Buchanan, Dickenson, Lee, Scott, and Wise
District 31 – County of Prince William*

APA Staff

as of November 1, 2019



Acquisitions and Contract Management	
Deborah Stafford, Audit Manager	Carl Fisher, Auditor
Noah Johnson, Audit Supervisor	Matthew Holm, Auditor
Jonathan South, Senior Auditor	Noah Wray, Auditor

Budget and Legislative Monitoring	
Duane Miller, Audit Manager	Kristyn Bane, Associate Auditor
Shatima Taylor, Audit Manager	Aisha Hearon-Bryant, Associate Auditor
Sarah Lambert, Senior Auditor	Chad Whitzel, Associate Auditor
Nicholas Nonnemacker, Auditor	

Capital Asset Management	
Katie Collins, Audit Supervisor	Betsy Wilson, Audit Supervisor
Melinda Crawford, Audit Supervisor	Megan Bridgewater, Senior Auditor
Justin Ferrell, Audit Supervisor	Candice Owens, Senior Auditor
Grayson Smith, Audit Supervisor	

Compliance Assurance	
Michael Sidell, Audit Manager	Devin Larson, Auditor
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Emily Morones, Senior Auditor	Garion Roberts, Associate Auditor
John Fox, Auditor	

Data Analysis	
Dawn Scharf, Audit Supervisor	Michael Walsh, Auditor
Brittney Chappell, Senior Auditor	Brent Copeland, Associate Auditor
Ethan Mills, Senior Auditor	Zach Krigelman, Database Administrator
James Bigler, Auditor	Patrice Mays, Database Administrator
Haley Rasmussen, Auditor	Dylan Ilvento, Web Developer
Erin Rodriguez, Auditor	

Higher Education Programs	
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Scott Booker, Senior Auditor	Justin Rhodes, Auditor
Meghan Finney, Senior Auditor	Zack Waskin, Auditor
Jeannie Kim, Senior Auditor	Ebony Wilkes, Associate Auditor

Human Resources and Business Operations

Human Resources

Christina Hansen, HR Senior Specialist
Haley Clark, HR Specialist
Rebecca Hackett, Receptionist

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Ashley Newman, Accounting Specialist

Reports and Graphics Division

Chardon Jones, Senior Specialist
Vanessa Scherzer, Specialist

Information Systems and Office Technology

Information Systems Security

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Kristina Kemp, Audit Supervisor
Danese Seabourne, Audit Supervisor
Cory Owens, Auditor
Aki Kim, Associate Auditor

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Robert Gibbons, IT Staff
Wendy Hudson, IT Staff
Keith Vollero, SharePoint Administrator

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Jeannine Budynas, Auditor
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Local Government and Judicial Systems

Local Government

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Daniel Stanley, Senior Auditor
Lindsey Tatum, Senior Auditor
Tracy Vaughan, Senior Auditor
Pamela Williams, Senior Auditor

Reporting and Standards

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Brian Deveney, Audit Supervisor
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Susan Bagato, Senior Auditor
Lauren Bennett, Senior Auditor
Ryan Carter, Senior Auditor
Anna Pitts, Senior Auditor
Crystal Katovsich, Auditor
Sydney Rampey, Auditor
Austen Wade, Associate Auditor

Strategic Risk Management

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Gary Gammon, Senior Auditor
Briana Gray, Senior Auditor
Lauren Griemsman, Senior Auditor
Scott Reynolds, Auditor
Lindsey Lee, Associate Auditor