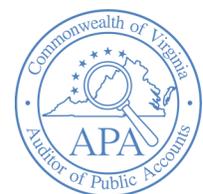




# COMMONWEALTH'S ATTORNEYS' SERVICES COUNCIL

FOR THE PERIOD  
JULY 1, 2011 THROUGH DECEMBER 31, 2014

Auditor of Public Accounts  
Martha S. Mavredes, CPA  
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## AUDIT SUMMARY

Our audit of the Commonwealth's Attorneys' Services Council for the period July 1, 2011, through December 31, 2014, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- matters involving internal control and its operation necessary to bring to management's attention; and
- instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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## AUDIT FINDINGS AND RECOMMENDATIONS

### **Maintain the Required Transparency Surrounding Agency Transactions**

The Commonwealth's Attorneys' Services Council (Council) does not maintain transparency over some transactions using federal and state funds. The Council inaccurately codes some receipts and expenses related to federal and state funds, which causes a lack of transparency as it cannot be determined through the Commonwealth Accounting and Reporting System (CARS) the original source of the Council's revenues or the true amount and funding stream for their expenses.

Our review identified the following:

- The Council receives federal grants from other state entities; however, the Council does not record expenses for these grants using the appropriate account. The Council records the expenses as a transfer instead of an expense in the account where the initial purchase of the good/service occurred as required by the Commonwealth Accounting Policies and Procedures (CAPP) Manual. Therefore, it cannot be determined within CARS what the Council purchased with the federal funds.
- The Council does not properly code all revenue for the training programs they produce. When they receive the funding for several non-federal training programs, they record the deposits as an expenditure decrease or cash transfer in instead of coding it as an increase of cash pass through as required by the CAPP Manual. Recording items as an expenditure decrease could potentially allow the Council to spend funds without an appropriation in addition to skewing their total expenses in CARS so that the total amount they are spending cannot be readily determined.
- The Council utilizes project codes to identify their federal expenses; however, they do not utilize the project codes for all federal expenses. Payroll expenses are an example of expenses that they do not code to a federal project code. Inaccurate accounting of federal funds may result in noncompliance with federal guidelines, and misappropriation of federal funds.

The Council sought guidance from another state agency on how to account for their transactions instead of contacting the Department of Accounts (Accounts) for guidance. We recommend that the Council work with Accounts to examine ways for agency transactions to be more transparent. In addition, we recommend that the Council follow the guidelines outlined by Accounts when receiving and disbursing funds.

### **Improve Expenditure Processes**

The Council fiscal staff is not properly coding some expenses in the Commonwealth's Accounting system as outlined in the CAPP Manual. In addition, the Council is not ensuring that agency personnel maintain adequate supporting documentation for agency purchases and travel vouchers, as they are not maintaining original receipts.

During our review, we found:

- Improper coding of several vouchers;
- Reimbursements for small purchase charge card purchases and lodging with no related receipts; and
- Lodging reimbursed at more than the CAPP Manual per diem amount.

CAPP Manual Section 60108 gives instructions for the proper coding of vouchers. In addition, CAPP Manual Section 20335 requires that itemized receipts for lodging or comparative statements, if alternative lodging is used, accompany a travel reimbursement request.

Coding vouchers improperly can affect accounting controls, financial management, and budgeting processes for the agency. Processing vouchers without the proper receipts increases the potential for reimbursement of non-state related or fraudulent purchases.

These errors resulted from an inadequate review by the supervisor and a new employee processing transactions. Additionally, in fiscal 2015 the Council transitioned to the new statewide accounting system, Cardinal, and staff experienced some difficulties learning the new system.

We recommend that the Fiscal Officer perform a detailed review of all vouchers prior to payment to include account coding and supporting documentation. The Fiscal Officer should ensure that any staff processing vouchers are aware of the expenditure codes in the CAPP Manual and the proper use of them as well as the travel requirements. Copies of original receipts from vendors should be requested if the original receipt cannot be obtained from agency personnel.

### **Improve Small Purchase Charge Card Processes**

The Council's small purchase charge card administrator is not ensuring that staff are adequately following the state's small purchase charge card policies. Staff members are not adequately utilizing state contracts when making purchases with the small purchase charge card. In addition, the Council is not adequately training staff members on who is allowed to use small purchase charge cards to make purchases.

During our review, we found purchases made by staff members for electronics and office supplies that have a state contract; however, they purchased the items from a vendor that does not have a state contract. Council staff members stated they were unaware of existing state contracts. In addition, we found an instance where an employee that was not the cardholder used a small purchase charge card to make a purchase.

The Department of General Services Agency Procurement and Surplus Property Manual Section 13.7 requires the use of a state contract for non-information technology items if a state contract exists. In addition, the Virginia Information Technologies Agency (VITA) has authority for

information technology goods and services and the statewide contracts that are procured by VITA are also required to be used by agencies. By bypassing the use of state contracts, the Council's staff was not able to ensure that the goods received were competitively priced and the most cost beneficial for the agency. CAPP Manual Section 20355 states that authorized use of the purchasing card is limited to the person whose name appears on the face of the card. Unauthorized use of the small purchase charge card can lead to improperly procured purchases or fraudulent purchases.

We recommend that the Council's small purchase charge card administrator enforce the state's procurement policies by requiring staff to utilize state contracts to the fullest extent possible when making small purchases. In addition, the Council should ensure that they adequately train all agency personnel on the use of the small purchase charge card to prevent unauthorized use in the future.

## AGENCY HIGHLIGHTS

The Council is responsible for providing training, education, and services for Virginia's Commonwealth's Attorneys. They sponsor training programs to meet the attorneys' annual mandatory continuing legal education requirements as established by the Virginia State Bar. They provide at least ten extensive training programs per year.

The Council provides all of the training free of charge with the exception of their Executive Program and Spring Institute. The Council collects a nominal registration fee for these trainings.

## FINANCIAL INFORMATION

The Commonwealth Accounting and Reporting System includes all financial data for the Council's activity. The Council records their administrative expenses using the General Fund. The Council records the expenses associated with the registration fees for their trainings in its special revenue funds. The Council's federal trust fund consists of federally funded grant revenues.

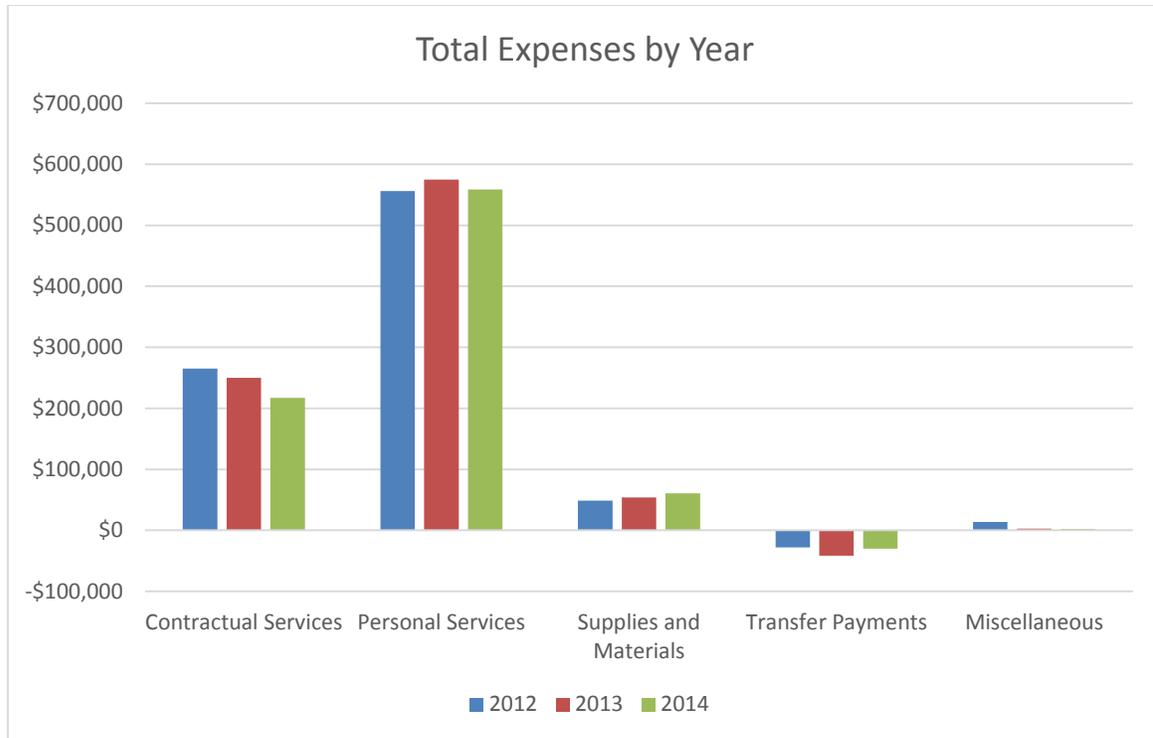
The schedule below compares the Council's budgeted versus actual expenses for fiscal years 2012, 2013, and 2014.

### Analysis of Appropriations and Actual Expenses Fiscal Years 2012, 2013, and 2014

Fiscal Year	Fund	Original Appropriation	Final Appropriation	Actual Expenses
<b>2012</b>	General	\$592,613	\$592,749	\$590,570
	Special Revenue	38,450	38,450	354
	Federal Trust	-	280,695	265,012
<b>2013</b>	General	\$589,488	\$619,507	\$617,885
	Special Revenue	38,450	119,950	14,129
	Federal Trust	-	222,266	208,170
<b>2014</b>	General	\$589,499	\$627,828	\$627,484
	Special Revenue	38,450	105,850	15,660
	Federal Trust	-	169,443	166,118

*Source: Commonwealth Accounting and Reporting System*

A breakdown of the expenses by year and major object is presented below. Note the two largest expenses for the Council are personal services (payroll) and contractual services (mostly travel expenses). The negative amounts in the transfer payments reflects the net amount of the activity in this major object code. This major object code is used to move expenses from one fund to another as well as to receipt some funds from other agencies, which are recorded as expenditure refunds.



Source: Commonwealth Accounting and Reporting System

The Council currently records two types of revenue to offset the expenses mentioned above. Their revenues include registration fees associated with the trainings offered and interest revenue. In fiscal year 2014, the Council received an award of \$18 million from the Office of the Attorney General under the United States Department of Treasury’s Equitable Sharing Program as part of the Abbott Laboratories Settlement. These funds were placed in the Commonwealth’s account and starting earning interest which is also recorded as revenues.

The schedule below shows an analysis of the Council’s revenues collected in fiscal years 2012 through December 2014. This schedule does not include funds received from other agencies that the Council is currently recording as an expenditure refund instead of a revenue.

**Analysis of Revenues  
Fiscal Years 2012 through 2014**

Fiscal Year	Source	Actual Revenue
<b>2012</b>	Registration Fees	\$56,495
	Interest	-
<b>2013</b>	Registration Fees	\$82,303
	Interest	-
<b>2014</b>	Registration Fees	\$63,050
	Interest	54,244

Source: Commonwealth Accounting and Reporting System



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

April 28, 2015

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable John C. Watkins  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Commonwealths' Attorneys' Services Council** for the three years ended June 30, 2014, and the first six months of fiscal year 2015 ending December 31, 2014. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Audit Objectives**

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System, review the adequacy of the Council's internal controls, and test compliance with applicable laws, regulations, contracts, and grant agreements.

## **Audit Scope and Methodology**

The Council's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Revenues and Appropriations  
Expenses including contractual services, payroll, and transfers  
Small purchase charge card  
Information System Access

We performed audit tests to determine whether the Council's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Council's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

### **Conclusions**

We found that the Council properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Council records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted certain matters involving internal control and its operation and compliance with applicable laws, regulations, contracts and grant agreements that require management's attention and corrective action. These matters are described in the section entitled "Audit Findings and Recommendations."

### **Exit Conference and Report Distribution**

We discussed this report with management on May 4, 2015. Management's response to the findings identified in our audit is included in the section titled "Agency Response." We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

JDE/clj



# COMMONWEALTH of VIRGINIA

## Commonwealth's Attorneys' Services Council

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Tenth District  
Alexander R. Iden

Eleventh District  
Raymond F. Morrogh

May 5, 2015

Ms. Martha Mavredes  
Auditor of Public Accounts  
101 n. 14<sup>th</sup> Street, 8<sup>th</sup> Floor  
Richmond, Virginia 23219

Dear Ms. Mavredes,

On behalf of the Commonwealth's Attorneys' Services Council (CASC), I would like to thank you for providing us with an opportunity to comment on the findings and recommendations in the Fiscal Year July 1, 2011 - December 31, 2014 audit report.

CASC is committed to maintaining transparency in all agency transactions. This commitment includes the proper coding of all transactions. CASC is in agreement with the APA that non-general funds should be coded at the sub-object level to consistently identify the expenditures when fund adjustments are made. CASC has implemented an internal policy to code all fund adjustments at the project and sub-object code level. This policy is now in effect and has been implemented in the Cardinal state accounting system.

CASC received funding for two non-federal funded training programs from other state agencies. CASC covered the cost of these programs from general funds and was reimbursed by the grantor agency. These transactions were transferred in as an expenditure reimbursement to the general fund. CASC currently is working with the Department of Accounts to determine the proper coding of non-federal funded reimbursements so that CASC codes are consistent with those of the grantor agency. Once a resolution is reached, CASC will implement the recommendation for these types of transactions.

Additionally, CASC recognizes the need to strengthen procedures for ensuring that all original receipts for expenditures are maintained, that state policy is followed on the use of the agency small purchase card and that staff is made aware of state procurement policies and procedures. CASC will provide office-wide training to ensure that all staff members are fully aware of all policies and procedures pertaining to these transactions as stated in the CAPP manual.

Sincerely,

Jane Sherman Chambers  
Director

## COMMONWEALTHS' ATTORNEYS' SERVICES COUNCIL

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Patricia T. Watson, Second Vice-Chairman

Eric L. Olsen, Secretary

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