

Joint Legislative Audit and Review Commission

Annual Workplan

May 11, 2009

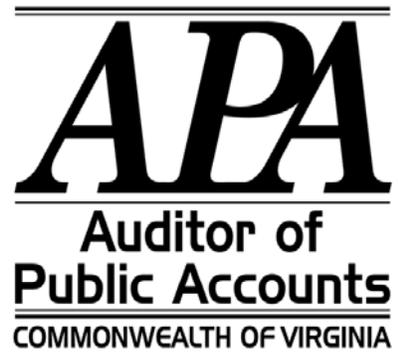


TABLE OF CONTENTS

	<u>Pages</u>
WORK PLAN	
Summary of Proposed 2010 Annual Work Plan	1
Special Projects	2 - 8
Agencies and Institutions	9 - 12
Budget to Actual Comparison for 2008 Work Plan	13 - 15
 PEER REVIEW	
Results of Review Conducted by the National Association of State Auditors	16 - 17

**AUDITOR OF PUBLIC ACCOUNTS
PROPOSED 2010 WORK PLAN**

SPECIAL PROJECTS	16,030
JUDICIAL BRANCH	775
EXECUTIVE DEPARTMENTS	
Executive Offices	875
Administration	1,595
Agriculture and Forestry	400
Commerce and Trade	2,460
Education	1,700
Education - Higher Education Institutions	37,585
Finance	17,860
Health and Human Services	9,580
Natural Resources	280
Public Safety	4,459
Technology	1,020
Transportation	6,415
INDEPENDENT AGENCIES	6,390
LOCAL GOVERNMENTS, CLERKS, AND COURTS	33,093
CYCLED AGENCIES	<u>4,000</u>
TOTAL WORK PLAN HOURS	<u><u>144,517</u></u>

**AUDITOR OF PUBLIC ACCOUNTS
PROPOSED 2010 WORK PLAN**

SPECIAL PROJECTS

Required by Legislation, Statute, or Appropriation Act

Maintaining Internet Database

Objectives:	<i>The Auditor of Public Accounts shall compile and maintain on its Internet website a searchable database providing certain state expenditure, revenue, and demographic information as described in this subsection. The database shall be updated each year by October 15 to provide the information required in this subsection for the 10 most recently ended fiscal years of the Commonwealth. (Code of Virginia Section 30-133)</i>	3,200
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Review of Performance Measures

Objectives:	<i>To determine that state agencies are providing and reporting appropriate information on financial and performance measures, and to review the accuracy of the management systems used to accumulate and report the results. (Code of Virginia Section 30-133B.)</i>	700
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Review of Higher Education Performance Measures

Objectives:	<i>Continuation of review on State Council of Higher Education for Virginia institutional performance standards from 2009 work plan. To determine the sufficiency of internal controls over information for formula driven performance measures and verify the accuracy of manually computed measures.</i>	500
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APA Annual Report

Objectives:	<i>To describe the work performed by the Auditor of Public Accounts during the fiscal year, and the significant findings. (Code of Virginia Section 30-133)</i>	40
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MEI Project Approval Commission

Objectives:	<i>Provide assistance to the Major Employment and Investment Project Approval Commission as required by HB 2550 of the 2009 General Assembly Session.</i>	100
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**AUDITOR OF PUBLIC ACCOUNTS
PROPOSED 2010 WORK PLAN**

Risk Based Analysis

Study - Collection of Receivables

Objectives:	<i>Continuation of project from 2009 work plan. Review and report on the collection of the Commonwealth's receivables. Determine the various classes of receivables, the nature of the financial activity resulting in receivables, and how agencies classify and report receivables. Also determine best practices the Commonwealth should use for appropriately extending credit, billing and collecting receivables, and reporting and determining collectability of each receivables class. Make recommendations for improvement of the management and reporting of receivables.</i>	350
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Review of Department of Transportation's Asset Management System

Objectives:	<i>Continuation of project from 2009 work plan. To gain an understanding of the VDOT Asset Management System used to track road conditions and determine maintenance needs. To review and evaluate how VDOT uses the data in the system to determine maintenance needs and request funding. To determine how VDOT tracks whether the maintenance needs are met and/or how the maintenance funding is used. To determine whether the Asset Management System is providing the information necessary to make maintenance funding decisions.</i>	275
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Review of Department of General Services Division of Real Estate Services (DRES)

Objectives:	<i>Continuation of project from 2009 work plan. To identify and reduce duplication of efforts between DRES and Department of Accounts. To ensure the Commonwealth is paying competitive prices for its real estate leases. To determine reasonableness of DRES' statewide and internal lease policies and procedures.</i>	280
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**AUDITOR OF PUBLIC ACCOUNTS
PROPOSED 2010 WORK PLAN**

FICAS Deferred Maintenance Follow-up

Objectives: *Continuation of project from 2009 work plan. To review the work that Department of General Services has accomplished in implementing the Condition Assessment System. The Review will include General Services support to agencies, instructions and work with the State Council of Higher Education for Virginia . We will also interview user agencies.* 90

Review of Competitive Contracting

Objectives: *Continuation of review started in 2009 work plan. To review office supply contract actual pricing (from online catalogs) against contract prices and to review extent of use of consulting contracts across the Commonwealth, including price comparisons.* 360

Review of Non-general Fund Forecasting

Objectives: *To perform follow up review on statewide processes for forecasting and monitoring non-general fund revenues.* 750

Study of Costs for Operating Court System

Objectives: *To compile, analyze, and report financial data regarding the total costs to fund the district and circuit courts.* 350

VITA - Contract Management

Objectives: *To continue to follow the status of transformation. Ensure that service level agreements are measureable and the measurements are taken accurately. To ensure the reasonableness of any further change orders/requests for service.* 540

Department of State Police - STARS Radio System

Objectives: *To continue to follow the implementation of a \$350 million radio system to ensure the project remains on schedule, on budget, and is providing the required functionality.* 460

**AUDITOR OF PUBLIC ACCOUNTS
PROPOSED 2010 WORK PLAN**

Review of IT Governance

Objectives: *To review and report on progress made by the Commonwealth in addressing IT Governance recommendations made in the APA's 2007 report. This review will focus primarily on governance over IT maintenance and operation spend.* 300

Review of Commonwealth Data Standards

Objectives: *To review and report on progress made by the Virginia Enterprise Applications Program Office in identifying major Commonwealth financial and information collection process and establishing data standards for each as required by the Appropriations Act.* 120

Systems Development Projects

Objectives: *To monitor and report on the systems development process over major systems to determine the projects are on schedule, on budget, and provide required functionality. This includes systems development projects for the various departments, agencies, and higher education institutions.* 2,495

Statewide Report of Systems Security Findings

Objectives: *To provide periodic summary report of system security findings issued for agencies and higher education institutions.* 480

Review of Energy Performance Contracts

Objectives: *To compile data on the Commonwealth's energy performance contracts and determine the status and classification of each contract by financing method. To determine whether there is a preferred method to contract and finance energy improvements that is the most beneficial and cost effective method. To recommend whether the Commonwealth should continue to use energy performance contracts in the future.* 400

**AUDITOR OF PUBLIC ACCOUNTS
PROPOSED 2010 WORK PLAN**

Review of Eligibility for Social and Medical Services

Objectives:	<i>To identify the barriers for sharing eligibility information for individuals applying for social and medical services. Determine if there are data standards for the information collected by Health and Human Resources (HHR) agencies. Determine if there is a national movement for standardizing client information. Inventory when, where, and what information is collected and shared by HHR agencies. Determine the differences in how the various HHR systems house their information. Determine if HHR agencies compare their information with information from other sources such as the Federal Government or Department of Taxation.</i>	500
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Inspector General Study

Objectives:	<i>To address the concerns of the General Assembly for the need for a Commonwealth Office of Inspector General (OIG) that will investigate fraud, waste and unnecessary duplication in the administration of state government programs. This includes determining the benefits and burdens of outsourcing this OIG function to the private sector if there is a need for the OIG function. The study will also review the fraud hotline and current Commonwealth efforts related to fraud, waste, and abuse.</i>	750
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Review of Higher Education Housing

Objectives:	<i>To compare student housing policies and procedures at state-supported universities and any significant housing arrangements the universities have with public and private organizations. The review will also include the effect that student housing policies have on on-campus and off-campus housing.</i>	400
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**AUDITOR OF PUBLIC ACCOUNTS
PROPOSED 2010 WORK PLAN**

Review of Internal Audit Departments

Objectives: *To review the organization and functions of the internal audit departments at Commonwealth agencies and higher education institutions and make recommendations for improvement. This includes determining who manages the internal audit departments and the interaction of the various internal audit departments and the State Internal Audit Division of the Department of Accounts. The review will also determine whether the Commonwealth internal audit departments are providing the equivalent of an inspector general function.* 400

Review of Investment Policies

Objectives: *To perform a review of select individual agencies' and institutions' investment policies and benchmarks including determining whether they exist at the different entities, are adequate and specific, followed, and reevaluated periodically.* 500

Review of Cell Phone Usage and Policies

Objectives: *To perform a statewide review of cell phone and VOIP usage and policies. This will allow us to determine whether the Commonwealth has adequate policies to ensure telecommunications are used wisely and adequately monitored to avoid waste and abuse.* 300

Service Arrangement Review

Objectives: *To determine which agencies would benefit from the centralization of administrative functions by identifying agencies that do not have sufficient personnel resources to ensure internal controls are adequate or agencies whose internal controls are in jeopardy with the loss of key personnel.* 100

Review of Purchasing Cycle

Objectives: *Review best practices in the purchasing and payment cycle used by modern financial systems and compare to the state operating environment.* 440

**AUDITOR OF PUBLIC ACCOUNTS
PROPOSED 2010 WORK PLAN**

Review of Disbursement Methods

Objectives:	<i>To perform a statewide review of disbursement methods and controls. This review will include checks, ACH transactions, and wire transfers and will encompass the Department of the Treasury, select agencies, and higher education institutions.</i>	600
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Review of Tax Debt Set Off Process

Objectives:	<i>Determine which agencies are using tax debt set off to collect amounts owed and whether they are using it to the full potential. Determine whether additional agencies should be using this process.</i>	250
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Total Special Projects

16,030

**AUDITOR OF PUBLIC ACCOUNTS
PROPOSED 2010 WORK PLAN**

JUDICIAL BRANCH

Supreme Court ¹	500
Virginia Board of Bar Examiners	75
Virginia State Bar	<u>200</u>
Total Judicial Branch	<u>775</u>

EXECUTIVE DEPARTMENTS

Executive Offices

Governor, Lieutenant Governor, Cabinet Secretaries ²	375
Attorney General and Department of Law	<u>500</u>
Total Executive Offices	<u>875</u>

Administration

Department of General Services	945
State Compensation Board	200
Department of Human Resource Management	<u>450</u>
Total Administration	<u>1,595</u>

Agriculture and Forestry

Department of Agriculture and Consumer Services	<u>400</u>
Total Agriculture and Forestry	<u>400</u>

Commerce and Trade

Virginia Economic Development Partnership	400
Virginia Employment Commission	1,700
Department of Housing and Community Development	10
Racing Commission	<u>350</u>
Total Commerce and Trade	<u>2,460</u>

Education

Department of Education	1,300
Virginia Biotechnology Research Park Authority	400
Virginia Community College System	4,145
Christopher Newport University	1,450
George Mason University	2,360
James Madison University	1,620
Longwood University	2,030
Norfolk State University	2,410
Old Dominion University	2,060
Radford University	1,590
The College of William and Mary	2,250
University of Mary Washington	1,650
University of Virginia	3,930
University of Virginia Medical Center	2,600
Virginia Commonwealth University	3,370
Virginia Military Institute	1,460
Virginia Polytechnic Institute and State University	2,960
Virginia State University	<u>1,700</u>
Total Education	<u>39,285</u>

**AUDITOR OF PUBLIC ACCOUNTS
PROPOSED 2010 WORK PLAN**

Finance

Report on Secretary of Finance Agencies	250
Department of Accounts/CAFR	8,030
Statewide Single Audit Report	1,650
Department of the Treasury ³	3,415
Department of Planning and Budget/Appropriations	620
Department of Taxation	3,575
Revenue Stabilization Fund	<u>320</u>
Total Finance	<u>17,860</u>

Health and Human Resources

Report on Secretary of Health and Human Resources Agencies ⁴	400
Department of Health	1,150
Department of Medical Assistance Services	2,390
Department of Mental Health, Mental Retardation, and Substance Abuse Services	2,490
Department of Social Services	<u>3,150</u>
Total Health and Human Resources	<u>9,580</u>

Natural Resources

Department of Game and Inland Fisheries	200
Potomac River Fisheries Commission	<u>80</u>
Total Natural Resources	<u>280</u>

Public Safety

Department of Alcoholic Beverage Control	1,279
Department of Corrections	1,815
Department of Emergency Management	725
Department of Fire Programs	165
Department of Juvenile Justice	250
Department of Veterans Services	<u>225</u>
Total Public Safety	<u>4,459</u>

Technology

Virginia Information Technology Agency	580
Innovative Technology Authority/Center for Innovative Technology	<u>440</u>
Total Technology	<u>1,020</u>

Transportation

Commonwealth Transportation Fund ⁵	5,400
Virginia Port Authority	<u>1,015</u>
Total Transportation	<u>6,415</u>

**AUDITOR OF PUBLIC ACCOUNTS
PROPOSED 2010 WORK PLAN**

INDEPENDENT AGENCIES

Assistive Technology Loan Fund Authority	120
State Board of Accountancy	240
State Lottery Department	1,350
Tobacco Indemnification and Community Revitalization Commission	220
Virginia College Savings Plan	1,075
Virginia Commercial Space Flight Authority	200
Virginia Retirement System	2,300
Virginia Small Business Financing Authority	240
Virginia Tobacco Settlement Foundation	170
Virginia Tourism Authority	210
War Memorial Foundation	100
Wireless E-911 Service Board	165
	6,390
Total Independent Agencies	6,390

LOCAL GOVERNMENTS, CLERKS, AND COURTS

State Accounts (135)	4,100
Judicial Entities: Circuit Courts (122), District Courts (206), General Receivers (15)	26,393
Comparative Report and Quality Reviews	2,600
	33,093
Total Local Governments, Clerks, and Courts	33,093

CYCLED AGENCIES - See agencies listed below ⁶ 4,000

TOTAL WORK PLAN HOURS - EXCLUDING SPECIAL PROJECTS 128,487

NOTES:

¹ *Supreme Court* includes the Office of the Executive Secretary of the Supreme Court, the Clerk of the Supreme Court, the Clerk of the Court of Appeals, and the Judicial Inquiry and Review Commission.

² *Office of the Governor* includes the Office of the Lieutenant Governor, Cabinet Secretaries, and Selected Agency Support Services, which include the Secretary of the Commonwealth, Interstate Organization Contributions, Virginia-Israeli Advisory Board, Office for Substance Abuse Prevention, Citizens Advisory Committee and Office of Commonwealth Preparedness.

³ *Department of the Treasury* includes the Virginia Public Building Authority, Virginia Public School Authority, Virginia College Building Authority and the Local Government Investment Pool.

⁴ *Report on Secretary of Health and Human Resources Agencies* includes the Departments for the Aging, for the Blind and Vision Impaired, for the Deaf and Hard-of-Hearing, of Health Professions, of Rehabilitative Services, and the Board for People with Disabilities as well as the agencies listed above.

⁵ *Commonwealth Transportation Fund* includes the Departments of Transportation, Motor Vehicles, Rail and Public Transportation, and Aviation, and the Motor Vehicle Dealer Board.

**AUDITOR OF PUBLIC ACCOUNTS
PROPOSED 2010 WORK PLAN**

⁶ The following agencies would be subject to audit testing when identified using risk assessment tools and the results of prior audits. We would audit these agencies on a two-year cyclical basis.

A.L. Philpott Center	Department of Professional & Occupational Regulation
Commonwealth Health Research Fund	Department of Rehabilitative Services
Commonwealth's Attorneys' Services Council	Department of State Police
Department for the Aging	Human Rights Council
Department of Business Assistance	Judicial Inquiry and Review Commission
Department of Conservation and Recreation	Library of Virginia
Department of Correctional Education	Marine Resources Commission
Department of Criminal Justice Services	Milk Commission
Department of Employment Dispute Resolution	New College Institute
Department of Environmental Quality	Public Defender Commission
Department of Forensic Science	Rappahannock River Basin Commission
Department of Forestry	Roanoke River Basin Commission
Department of Health Professions	Southern Virginia Higher Education Center
Department of Historic Resources	Southwest Virginia Higher Education Center
Department of Housing and Community Development	State Board of Elections
Department of Juvenile Justice	State Corporation Commission
Department of Labor and Industry	State Council for Higher Education in Virginia
Department of Military Affairs	Virginia Commission for the Arts
Department of Mines, Minerals, and Energy	Virginia Correctional Enterprises
Department of Minority Business Enterprise	Virginia Criminal Sentencing Commission
Museums: includes the Science Museum of Virginia, Jamestown-Yorktown Foundation, the Virginia Museum of Fine Arts, the Virginia Museum of Natural History, the Frontier Culture Museum of Virginia, and Gunston Hall	Virginia National Defense Industrial Authority
	Virginia Office for Protection and Advocacy
	Workers Compensation Commission

**AUDITOR OF PUBLIC ACCOUNTS
PROPOSED 2010 WORK PLAN**

	Budget	Actual	Variance
Agencies, Institutions, Local Governments, and Courts:			
Judicial Branch	400	303	97
Executive Departments:			
Executive Offices	875	1,045	(170)
Administration	1,340	1,603	(263)
Agriculture and Forestry	400	453	(53)
Commerce and Trade	3,190	3,490	(300)
Education:			
Agencies	1,500	1,285	215
Higher Education	37,386	38,138	(752) ^A
Finance	19,120	20,355	(1,235) ^B
Health and Human Resources	9,940	10,325	(385)
Natural Resources	280	498	(218) ^C
Public Safety	3,745	3,675	70
Technology	1,040	802	238
Transportation	5,420	6,452	(1,032) ^D
Cycled Agencies	3,000	5,115	(2,115) ^E
Independent Agencies	7,131	8,067	(936) ^F
Local Governments and Courts	34,480	32,995	1,485
Total Agencies, Institutions, Local Governments, and Courts	129,247	134,601	(5,354)
Special Projects:			
Mandated:			
Maintaining Internet Database	3,300	2,772	528
Hampton Roads Transportation Authority	200	-	200 ^G
Higher Education - Chartered Institutions	220	20	200 ^H
Review of Performance Measures	700	634	66
Southeastern Public Service Authority of Virginia	675	1,248	(573) ^I
Study - Collection of Receivables	600	537	63
Develop Capital Projects Life-Cycle Budget Analysis	100	16	84 ^H
APA Annual Report	50	41	9
Specialty Team Projects:			
Study of Inventory Management	450	113	337 ^J
Rental Car Contract Review	480	455	25
VITA - Contract Management	520	524	(4)
Department of State Police - STARS Radio System	460	422	38
Study of Budget Transparency	530	372	158 ^H
FICAS Deferred Maintenance Follow-up	300	142	158 ^H
Review of Department of General Services Division of Real Estate Services (DRES)	400	228	172 ^H
Review of Department of Transportation's Asset Management System	280	228	52 ^H

**AUDITOR OF PUBLIC ACCOUNTS
PROPOSED 2010 WORK PLAN**

	Budget	Actual	Variance
Small Purchase Charge Card Review	700	502	198
Study of Higher Education One-Card Systems	360	397	(37)
Systems Development Projects	3,575	1,917	1,658 ^K
Statewide Monitoring of Systems Security	1,785	1,089	696
Study of Costs for Operating Court System	700	386	314
Total Special Projects	16,385	12,043	4,342
TOTAL WORK PLAN HOURS TO JLARC	145,632	146,644	(1,012)

Additional Projects During the Year:

Agencies	817	^L
Prior Year Audits	9,819	^M
Next Year's Work Plan	<u>1,052</u>	^N
Total Additional Work	<u>11,688</u>	
TOTAL REVISED WORK PLAN	<u><u>158,331</u></u>	

- ^A William and Mary experienced difficulties in preparation of their financial report which required increased time to audit. We had inexperienced staff on the Old Dominion audit that required additional time for staff development.
- ^B Additional time was required to audit capital assets and leases due to the issues we identified. Additionally, we experienced staff turnover that resulted in some inefficiency.
- ^C We inadvertently did not budget for time for the Game and Inland Fisheries audit.
- ^D We identified one additional major federal program that we were required to test. In addition, we revised the approach to testing revenue at Motor Vehicles that increased the time for this year but will yield efficiencies in future years. Finally, Port Authority delayed providing us with their financial statements and when we received them we identified areas that required additional audit work.
- ^E We had more agencies in the cycle than usual. We also developed a new approach for planning the audits which required some upfront time that should result in future savings.
- ^F We anticipated savings on the Lottery audit this year due to their transition to using a vendor for services they previously did themselves; however, we had to spend time the initial year of the contract reworking our audit approach and did not realize those savings. We spent additional time on the Retirement System due to delays in receiving their notes to financial statements and review of disclosures related to the significant drop in the financial markets. We spent additional time on the War Memorial audit due to their financial management issues.
- ^G This entity never had any fiscal activity so no work was required.
- ^H These projects will be completed during the 2010 work plan.

**AUDITOR OF PUBLIC ACCOUNTS
PROPOSED 2010 WORK PLAN**

- I This was a new type of project for us and we identified numerous issues that required substantial time to follow up with agency management.
- J Due to changes in circumstances, we decided not to complete this project.
- K This is time for multiple systems development projects we are monitoring. Every project is unique, and some require more hours than others. We build in hours for those projects that we believe will result in reports. We did not need to issue as many reports as planned, consequently we did not use as many hours.
- L Preliminary work was performed as a result of the stimulus monies Virginia is starting to receive. In addition, we have begun a project on competitive contracting and another to look at the potential for using service arrangements for smaller agencies, neither of which were originally planned for.
- M This time is for agency audits that were not completed by the end of the 2008 work plan and so were carried forward to the 2009 Work Plan. It includes work done on capital outlay at General Services that took longer than expected due to issues identified as well as inefficiencies due to staffing changes. It also includes additional work on the Pharmacy Review from 2008 that resulted from unanticipated off-site
- N We began work on the 2010 Work Plan as staff became available.



National State Auditors Association

COMMONWEALTH OF VIRGINIA
OFFICE OF THE AUDITOR OF PUBLIC ACCOUNTS
REPORT OF THE SYSTEM OF QUALITY CONTROL
FOR THE PERIOD
MARCH 1, 2008 THROUGH FEBRUARY 28, 2009



National State Auditors Association

April 3, 2009

Mr. Walter J. Kucharski
Auditor of Public Accounts
Commonwealth of Virginia
P.O. Box 1295
Richmond, Virginia 23218

Dear Mr. Kucharski:

We have reviewed the system of quality control of the Commonwealth of Virginia, Office of the Auditor of Public Accounts (the office) in effect for the period March 1, 2008 through February 28, 2009. A system of quality control encompasses the office's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with government auditing standards. The design of the system and compliance with it are the responsibility of the office. Our responsibility is to express an opinion on the design of the system, and the office's compliance with the system based on our review.

We conducted our review in accordance with the policies and procedures for external peer reviews established by the National State Auditors Association (NSAA). In performing our review, we obtained an understanding of the office's system of quality control for engagements conducted in accordance with government auditing standards. In addition, we tested compliance with the office's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the office's policies and procedures on selected engagements. The engagements selected represented a reasonable cross-section of the office's engagements conducted in accordance with government auditing standards. We believe that the procedures we performed provide a reasonable basis for our opinion.

Our review was based on selective tests; therefore it would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it. Also, there are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control of the Commonwealth of Virginia, Office of the Auditor of Public Accounts in effect for the period March 1, 2008 through February 28, 2009 has been suitably designed and was complied with during the period to provide reasonable assurance of conforming with government auditing standards.

Margaret L. Andros, CPA
Team Leader
National State Auditors Association
External Peer Review Team

Steven Sossei, CPA
Concurring Reviewer
National State Auditors Association
External Peer Review Team