



JOINT LEGISLATIVE AUDIT
AND
REVIEW COMMISSION

QUARTERLY REPORT SUMMARY
JANUARY 1, 2017 THROUGH MARCH 31, 2017

Auditor of Public Accounts
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QUARTERLY REPORT SUMMARY - JANUARY 1, 2017, TO MARCH 31, 2017

Audit Activities

The Summary of Reports Issued section at the end of this report lists all reports issued by the Auditor of Public Accounts or our contracted firms during the period January 1, 2017, to March 31, 2017. Below are highlights from select reports issued during the period. All reports listed in this document are available at our website at http://www.apa.virginia.gov/APA_Reports/Reports.aspx.

Agency Reports

Department of Education

During our audit of the Department of Education for the fiscal year ended June 30, 2016, we found a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of financial information will not be prevented, or detected and corrected on a timely basis. As a result, we included multiple findings in our report that we consider material weaknesses for Education and the Commonwealth's Comprehensive Annual Financial Report (CAFR). These findings relate to Education's controls over fiscal operations and information technology.

Virginia Employment Commission

During our audit of the Virginia Employment Commission for the fiscal year ended June 30, 2016, we issued internal control and/or compliance findings recommending that the Commission upgrade unsupported technologies, improve change management processes, improve procedures related to retirement contributions, submit required reports, ensure tax wage discrepancy report is complete and remove system access timely. In addition, we included as repeat findings, five information technology related issues where, while the Commission has made progress in those areas, it has not yet completed corrective action.

Virginia Lottery

During our audit of the Virginia Lottery for the fiscal year ended June 30, 2016, we issued multiple findings related to weaknesses in internal control and/or compliance. The Virginia Lottery implemented a new financial system during fiscal year 2016 that was lacking several information security controls. Both application and database controls over their newly implemented financial system should be improved, including application logging and monitoring, prohibiting shared user accounts and passwords, regularly reviewing user accounts and privileges, and assigning system access based on least privilege. The Virginia Lottery should also continue to improve end user controls. We consider the combination of the weaknesses in information security controls over the financial system and the need to improve end user controls a material weakness.

The Virginia Lottery should also ensure information technology risk management controls are in place, all system patch management processes are documented and supported by a current policy, and proper capital asset management controls are implemented.

Secretarial Reports

We look for opportunities to communicate the results of our agency audits in a manner that is most useful to report users. Therefore, we have chosen to use “Secretarial” reports for three secretarial areas: Finance, Health and Human Resources, and Transportation. These areas lend themselves to secretary-wide reporting as we complete work at the majority of agencies under each of these secretarial areas in the same timeframe as we are performing work to support the Commonwealth’s CAFR Audit and Single Audit of federal funds. We issued all of these secretarial reports for the fiscal year ended June 30, 2016, in this quarter and provide a brief summary of each below.

Our [Agencies of the Secretary of Finance](#) report contains the results of our audit of the five agencies under the Secretary of Finance and arises from our work on the Comprehensive Annual Financial Report, as well as information on significant initiatives regarding statewide information systems and financial reporting. Additionally, the report contains one risk alert related to the Department of Taxation regarding services provided by the Commonwealth’s Information Technology Infrastructure Partnership with Northrop Grumman and internal control and compliance findings related to the following agencies (number of findings): Accounts (3) and Treasury(2).

Our [Agencies of the Secretary of Health and Human Resources](#) report contains our audit results for four agencies under the Secretary of Health and Human Resources. These agencies are the Department of Behavioral Health and Development Services (DBHDS), the Department of Health, the Department of Medical Assistance Services, and the Department of Social Services. This report contains 34 internal control and/or compliance findings, which related to the following agencies (number of findings): DBHDS (15), Health (10), Medical Assistance Services (6), and Social Services (3). This report also contains four risk alerts and two comments to management that communicate other issues that impact individual or multiple agencies.

Our [Agencies of the Secretary of Transportation](#) report contains the results of auditing the two largest agencies under the Secretary of Transportation: the Departments of Transportation and Motor Vehicles. The report contains a risk alert related to the Commonwealth of Virginia’s Information Technology Infrastructure Partnership with Northrop Grumman. The report also contains 13 internal control and/or compliance findings related to the following agencies (number of findings): Transportation (5) and Motor Vehicles (8). These findings include a material weakness related to Department of Motor Vehicle’s financial reporting, nine findings related to information systems management, and three findings related to improving internal controls and compliance with internal and Commonwealth policies and procedures in the areas of small purchase charge cards, economic interest disclosure, and reconciliation with the Virginia Retirement System.

Other Reports

During the quarter, we issued the [Commonwealth of Virginia Single Audit Report](#), which fulfills the audit requirement the Commonwealth commits to when it accepts federal funds and includes our results from testing internal controls in support of the Commonwealth's CAFR. For fiscal year 2016, \$13 billion in federal expenditures were subject to audit under the Single Audit. As part of this, we audited 18 federal programs administered by the Commonwealth and issued an unmodified opinion on compliance for each. The Single Audit report contains 92 total findings; 57 relate to the Commonwealth's CAFR; 12 relate to federal compliance; and 23 relate to both the Commonwealth's CAFR and federal compliance. We classified 11 findings as material weaknesses.

Other Activities



Recognition as a Top Workplace

During fiscal year 2017 we participated in Richmond's Top Workplaces event sponsored by the Richmond Times-Dispatch and Workplace Dynamics. To participate, employers and their employees completed anonymous surveys about their workplace. On March 5th, as a result of the feedback received from our staff, the Auditor of Public Accounts (APA) was recognized as one of Richmond's Top 60 Workplaces in an article in the [Richmond Times Dispatch](#). This is the fourth consecutive year that we have received this recognition and the APA is one of only 19 employers that have been on the list for each of the four years it has been in existence.

Monitoring Accounting and Auditing Standards

During the quarter, our Office reviewed several documents issued for comment by the standard setting entity that governs the accounting standards that Virginia state and local governments must follow when reporting their financial activity. Being a part of this process allows us to stay informed of upcoming changes so that we can provide technical advice to state and local governments in the Commonwealth. In addition, by providing feedback to the standard setting bodies on proposed changes we help protect the interests of the Commonwealth in circumstances where we do not agree with the proposed changes. Below are the documents that we reviewed and provided responses to the applicable standard setting entity during this quarter.

Standard Setting Entity	Document Reviewed
GASB	Invitation to Comment: <i>Financial Reporting Model Improvements – Governmental Funds</i>
GASB	Exposure Draft: <i>Implementation Guide No. 201X-Y, Implementation Guidance Update – 201X</i>

GASB Governmental Accounting Standards Board

Participation with State, Local, and Other Groups

In addition to our audit activities, we participate in other activities to assist in our mission to improve accountability and financial management in the Commonwealth. During the quarter, we participated in the activities of various state, local, and other groups including providing information on a variety of topics and attending events as highlighted below.

Group	Presentation / Training Topic
House Appropriations Committee Meeting	Provided information on financial oversight of the Commonwealth’s local governments including current requirements and additional procedures that APA will perform using fiscal year 2016 data to assess local fiscal stress.
Brown Edwards 20th Annual Governmental Conference	Provided an update on various topics, including the Commonwealth’s new accounting system, local government Comparative Report transmittal form process, updates to APA Specifications and the UFRM, results of quality control reviews over firms auditing Virginia’s local governments, fiscal stress monitoring over localities, and upcoming accounting and financial reporting standards.
American Institute of Certified Public Accountants (AICPA) Governmental Audit Quality Center	Presented information during national webinar on developing and reporting audit findings under <i>Government Auditing Standards</i> and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200 (Uniform Guidance).

In addition, during the quarter the Auditor of Public Accounts and Deputy Auditor of Public Accounts, who are both members of the AICPA Governing Council, attended the Regional Council Meeting. In addition, the Auditor of Public Accounts and several of her staff jointly worked with the National State Auditors Association, the National Association of College and University Business Officers, and the AICPA in communicating concerns with the U.S. Department of Education regarding audit requirements for the student financial assistance program.

SUMMARY OF REPORTS ISSUED

The following reports were released by this Office or its contracted firms during the period January 1, 2017, to March 31, 2017. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

Independent Agencies

Internal Control Report on Local Government Investment Pool, Virginia College Building Authority, Virginia Public Building Authority, and Virginia Public School Authority for the year ended June 30, 2016
Virginia Lottery for the year ended June 30, 2016*
Virginia Retirement System for the year ended June 30, 2016*

Administration

Department of Human Resource Management for the year ended June 30, 2016*

Commerce and Trade

Virginia Employment Commission for the year ended June 30, 2016*
Virginia Tourism Authority for the fiscal year ended June 30, 2016

Education

Department of Education including Direct Aid to Public Education for the year ended June 30, 2016*
Departments for Aging and Rehabilitative Services and the Blind and Vision Impaired – Disability Insurance/Social Security Income, Aging Cluster, and the Vocational Rehabilitation federal programs for the fiscal year ended June 30, 2016 *
Social Services Block Grant Office of Children’s Services for the year ended June 30, 2016*
Southern Virginia Higher Education Center for the period July 1, 2012 through June 30, 2015 *

Colleges and Universities

Christopher Newport University for the year ended June 30, 2016 *
George Mason University Intercollegiate Athletics Programs for the year ended June 30, 2016
Germanna Community College Review Report for the year ended June 30, 2016
James Madison University Intercollegiate Athletics Programs for the year ended June 30, 2016
Longwood University Intercollegiate Athletics Programs for the year ended June 30, 2016
Lord Fairfax Community College Review Report for the year ended June 30, 2016
New River Community College Review Report for the year ended June 30, 2016
Norfolk State University Intercollegiate Athletics Programs for the year ended June 30, 2016
Old Dominion University Intercollegiate Athletics Programs for the year ended June 30, 2016

Patrick Henry Community College Review Report for the year ended June 30, 2016
Radford University Intercollegiate Athletics Programs for the year ended June 30, 2016
Southside Virginia Community College Review Report for the year ended June 30, 2016
The College of William and Mary in Virginia Intercollegiate Athletics Programs for the year ended June 30, 2016
University of Virginia Intercollegiate Athletics Programs for the year ended June 30, 2016
Virginia Commonwealth University Intercollegiate Athletics Programs for the year ended June 30, 2016
Virginia Highlands Community College Review Report for the year ended June 30, 2016
Virginia Military Institute Intercollegiate Athletics Programs for the year ended June 30, 2016
Virginia Polytechnic Institute and State University Intercollegiate Athletics Programs for the year ended June 30, 2016
Virginia State University Intercollegiate Athletics Programs for the year ended June 30, 2016

Finance

Agencies of the Secretary of Finance for the year ended June 30, 2016*

Health and Human Resources

Agencies of the Secretary of Health and Human Resources for the year ended June 30, 2016*

Technology

E-911 Services Board for the year ended June 30, 2015

Transportation

Agencies of the Secretary of Transportation for the year ended June 30, 2016*
High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants Federal Program for the year ended June 30, 2016

Special Reports

Commonwealth of Virginia Single Audit Report for the year ended June 30, 2016 *
Report on Collections of Commonwealth Revenues by Local Constitutional Officers for the year ended June 30, 2016*
Report to the Joint Legislative Audit and Review Commission for the quarter October 1, 2016 through December 31, 2016

Clerks of the Circuit Courts

Cities:

Alexandria – April 1, 2015, through September 30, 2016*
Hopewell – January 1, 2015, through September 30, 2016
Newport News – April 1, 2015, through September 30, 2016*
Waynesboro – January 1, 2015, through September 30, 2016

Counties:

Alleghany – April 1, 2015, through December 31, 2016
Augusta – October 1, 2015, through September 30, 2016
Craig – April 1, 2015, through December 31, 2016
Cumberland – July 1, 2015, through December 31, 2016
Greene – April 1, 2015, through September 30, 2016*
Louisa – July 1, 2015, through December 30, 2016❖
Mathews – July 1, 2015, through June 30, 2016
Patrick – April 1, 2015, through December 31, 2016
Russell – January 1, 2015, through September 30, 2016
Smyth – July 1, 2015, through June 30, 2016
Wise – January 1, 2015, through September 30, 2016

State Accounts (as of June 30, 2016)

Cities:

Hampton as of December 30, 2016❖ Norfolk as of February 17, 2017❖

Counties:

Chesterfield as of December 30, 2016❖ Westmoreland

General Receivers (for the period July 1, 2015, through June 30, 2016)

Cities:

Charlottesville* Martinsville* Richmond (Traffic)*

Counties:

Arlington Henry* New Kent
Caroline King William Pittsylvania
Chesterfield Louisa Westmoreland

General District Courts (for the period July 1, 2015, through June 30, 2016)

Cities:

Bristol	Newport News (Traffic)	Richmond (Manchester)
Colonial Heights	Petersburg	Roanoke
Danville	Portsmouth*	Suffolk
Newport News (Civil)	Richmond	Waynesboro
Newport News (Criminal)	Richmond (Criminal Division)	Williamsburg/James City County

Counties:

Bedford*	Hanover	Page	Stafford
Campbell	Henrico	Patrick	Tazewell
Chesterfield	King and Queen	Pulaski*	Warren
Dinwiddie	King William	Rockingham	Washington
Franklin	Montgomery*	Smyth	

Combined District Courts (for the period July 1, 2015, through June 30, 2016)

Cities:

Franklin	Hopewell
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Counties:

Alleghany	Craig	King George	Scott*
Bath*	Dickenson	Lee	Sussex*
Bland	Floyd	Lunenburg	Warren
Brunswick	Fluvanna	Nottoway	
Buchanan	Giles	Prince Edward	
Buckingham*	Goochland	Russell	

Juvenile and Domestic Relations Courts (for the period July 1, 2015, through June 30, 2016)

Cities:

Alexandria	Danville*	Newport News*	Roanoke*
Bristol	Fredericksburg	Petersburg	Staunton
Charlottesville*	Lynchburg*	Portsmouth	Suffolk
Colonial Heights	Martinsville	Radford	Waynesboro

Counties:

Albemarle*	Galax	James City/City of Williamsburg	New Kent	Tazewell*
Arlington	Gloucester	King and Queen	Northumberland	Washington
Augusta	Grayson	King William	Page	Westmoreland
Campbell*	Hanover	Louisa	Patrick	Wythe*
Carroll	Henrico	Mathews	Pulaski	York
Charlotte	Henry*	Middlesex	Spotsylvania*	
Chesterfield	Isle of Wight*	Montgomery	Surry	

Magistrates (for the period July 1, 2015, through June 30, 2016)

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

District 6 (Cities of Hopewell and Emporia; Counties of Brunswick, Greenville, Prince George, Surry, and Sussex)

District 7 (City of Newport News)

District 8 (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; and County of Chesterfield)

District 13 (City of Richmond)

District 14 (County of Henrico)

District 18 (City of Alexandria)

District 21 (City of Martinsville; Counties of Henry and Patrick)

District 22 (City of Danville; Counties of Franklin and Pittsylvania)

District 24 (City of Lynchburg; Counties of Amherst, Bedford, Campbell, and Nelson*)

District 27 (Cities of Galax and Radford; Counties of Carroll, Floyd, Giles, Grayson, Montgomery and Pulaski)

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

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

*Denotes reports with management control finding

❖ Denotes Turnover Reports