



JOINT LEGISLATIVE AUDIT
AND
REVIEW COMMISSION

QUARTERLY REPORT SUMMARY
APRIL 1, 2017 THROUGH JUNE 30, 2017

Auditor of Public Accounts
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QUARTERLY REPORT SUMMARY - APRIL 1, 2017, TO JUNE 30, 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 (APA) or our contracted firms during the period April 1, 2017, to June 30, 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.

Special Reports

Progress Report on Selected System Development Projects in the Commonwealth

Our Progress Report on Selected System Development Projects reflects our on-going review of \$204 million in Commonwealth information technology system development projects. Our review goal is to detect problems at the earliest possible point and alert decision makers of this information, thereby reducing potential project failures. The report highlights five projects across four different agencies that are experiencing schedule delays, budget concerns, or have other risks: Virginia Employment Commission's Unemployment Insurance Modernization, Department of Human Resource Management's PMIS Migration from Unisys, Alcoholic Beverage Control's Financial System Replacement and Licensing System Replacement, and Department of Accounts' Cardinal Payroll Project.

For each of these highlighted projects, agency management is aware of the delays or concerns and the project team has been operating transparently to keep stakeholders aware of all associated risks. The project teams continue to inform us of decisions that affect these projects, invite us to attend project team meetings, and properly report the project's status to the Virginia Information Technologies Agency. Access the [Full Report](#) on our website.

Review of Agency Performance Measures

This report summarizes our required review of executive branch agency's performance measures as of June 30, 2015. We reviewed information on Virginia Performs for a sample of performance measures to determine if the results for fiscal year 2015 were accurate, reliable, and understandable. Overall, performance measure results were accurate and reliable; however, we observed considerable issues with agencies reporting untimely results on Virginia Performs. We also noted issues with the data source and calculation field, short and long-term targets, and preferred trends, but many of those issues also stem from agencies not reporting information on Virginia Performs.

The Department of Planning and Budget should ensure their processes include periodically reviewing performance measure information to evaluate whether agencies are meeting performance measure goals and to determine if there is any relationship between performance measure results and budget requirements. Evaluation results should be used to make necessary changes to the Commonwealth's performance management system. The Council on Virginia's Future is set to expire on

July 1, 2017, as such the Governor and General Assembly will need to determine how to continue to fulfill the Council's responsibilities in the performance management structure. Access the [Full Report](#) on our website.

Agency Reports

Department of Conservation and Recreation's Status of Corrective Action from Prior Recommendations

During our audit of the [Department of Conservation and Recreation's \(DCR\) Status of Corrective Action from Prior Recommendations](#) (as of February 3, 2017), we tested certain key recommendations followed by a representative sample of the remaining recommendations to determine if DCR accurately determined and reported the status of its corrective actions. We found that DCR accurately reported the status of its corrective actions resulting from the 93 recommendations identified in the prior audit report titled "Special Review of the Department of Conservation and Recreation" issued in June 2014. Of the 93 recommendations, DCR reported 81, or 87 percent, as complete with the remainder reported as work-in-progress; and it continues to make progress in implementing the remaining 12 recommendations.

Virginia Department of Agriculture and Consumer Services

Our audit of the [Virginia Department of Agriculture and Consumer Services](#) for the year ended June 30, 2016, covered payroll operations, information systems security, and procurement workflow controls. During our audit, we noted the Department is making progress in addressing prior recommendations; however, it continues to lack adequate information technology risk management and contingency planning controls, specifically related to disaster recovery planning, baseline configurations, and data classifications. Additionally, the Department performed a major upgrade to a sensitive and mission critical database resulting in the absence of several information security controls, some of which include least functionality, account management, and system monitoring. The Department also lacks appropriate oversight controls for third party service providers that perform information security services. The Department should allocate the necessary resources to mitigate these weaknesses and reduce data security risk in the information technology environment.

Virginia Land Conservation Foundation Audit of Accounts and Records

During our audit of the accounts and records of the [Virginia Land Conservation Foundation](#) as of June 30, 2016, we recommended that the Foundation obtain the amount of Land Preservation Tax Credit fee revenues collected by the Department of Taxation and the administrative costs incurred by the Departments of Taxation and Conservation to ensure its accounts and records are complete. Additionally, to ensure the Foundation is meeting the intent of the Code of Virginia and the Appropriation Act, we issued two Comments to Management with recommendations.

Norfolk State University

During our audit of [Norfolk State University](#) for the year ended June 30, 2016, we recommended the University obtain the necessary resources to update and manage its information security program. Our report includes four findings related to information technology (IT). The University should improve the information security, risk management and contingency programs. Additionally, the University should ensure IT security audits are completed for all sensitive systems at least once every three years. The final two IT recommendations were repeat findings from the prior audit related to the decommission of end-of-life technology and sanitization controls for IT asset surplus. Our audit report also includes a recommendation related to compliance with annual work hour limitations for wage employees and provides a status of the University’s progress in resolving federal compliance findings issued as part of our fiscal year 2015 audit related to the student enrollment reporting process and timely return of unclaimed financial aid funds.

Other Activities

Reporting Results of CPA Firm Quality Control Reviews

The APA has added a section to our website containing our quality control review reports of the CPA firms auditing the Commonwealth’s localities. We have included reports for fiscal years 2012 through 2015 and will add the reports for 2016 as we complete those reviews. We are making this information available for local governments to consider when contracting for their financial statement audits. You may view the information at http://www.apa.virginia.gov/APA_Reports/qcr_reports.aspx.

Monitoring Accounting and Auditing Standards

During the quarter, our Office reviewed a document issued for comment by a standard setting entity that governs the auditing standards that we follow in performing our audits. Being a part of this process allows us to stay informed of upcoming changes. 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 is the document that we reviewed and provided a response to the applicable standard setting entity during this quarter.

Standard Setting Entity	Document Reviewed
AICPA	Exposure Draft: <i>Proposed Revised Definitions of Client and Attest Client as well as Related Definitions, Interpretations, and Other Guidance</i>

AICPA American Institute of Certified Public Accountants

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
College and University Auditors in Virginia (CUAV)	Provided updates on APA internal activities, the 2017 legislative session, and new accounting and auditing standards. Discussed audit results from the prior year and common areas reported involving frauds.
Office of the State Inspector General’s State Agency Update Conference	Provided information about current APA organization and audit activities, recent trends in financial and information technology auditing, and new areas of focus for the upcoming year.
Virginia Government Finance Officers’ Association Central Regional Training	Provided an update on various topics, including local government Comparative Report transmittal form process, new requirements from 2017 legislative session, updates to APA Specifications and the Uniform Financial Reporting Manual, results of quality control reviews over firms auditing Virginia’s local governments, fiscal stress monitoring over localities, and upcoming accounting standards.
National Association of State Auditors – Annual Conference	Provided update on the U.S. Office of Management and Budget activities that are affecting the state auditor community.
Association of Government Accountants (AGA) – National Professional Development Training	Discussed how government employees can become a change agent for their agency by using free resources developed by AGA’s Intergovernmental Partnership. Also, provided information on automating the extraction of information from Single Audit reports to create greater value.
New York State Society of CPAs - Government Accounting and Auditing Conference	Provided an update on the American Institute of CPAs Government Audit Quality Center.

In April, as required by §4-8.03 of Chapter 836 of the 2017 Session of the General Assembly, the APA held a meeting to continue our process of developing criteria for a preliminary determination of whether a local government may be in fiscal distress. The work group includes representatives from the

Virginia Municipal League, Virginia Association of Counties, Commission on Local Government, House Appropriation Committee staff, Senate Finance Committee staff, and Secretary of Finance staff.

Also, 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 Spring Council Meeting. In addition, the Auditor of Public Accounts was elected to the Executive Committee of the National State Auditor's Association at their June Annual Conference and the Deputy Auditor of Public Accounts was sworn in as Chair of the Board of Directors of the Virginia Society of Certified Public Accountants at their May Leaders' Summit.

APA Statewide Meeting

In May, we held our annual statewide meeting for our staff. We kicked off the day with introductions of staff that had joined the APA since our last meeting. 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 a session providing information on several fraud investigations our office conducted during the last year as well as a session on improving communication and coaching skills.

SUMMARY OF REPORTS ISSUED

The following reports were released by this Office or its contracted firms during the period April 1, 2017, to June 30, 2017. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

Executive Departments

Office of the Attorney General and Department of Law and Division of Debt Collection for the year ended June 30, 2016 *

Agriculture and Forestry

Department of Conservation and Recreation's Status of Corrective Action from Prior Recommendations as of February 3, 2017 *
Virginia Department of Agriculture and Consumer Services for the year ended June 30, 2016*
Virginia Land Conservation Foundation Audit of Accounts and Records as of June 30, 2016*

Commerce and Trade

Virginia Board of Accountancy for the year ended June 30, 2016

Education

Department of Historic Resources for the period July 1, 2012 through June 30, 2016

Colleges and Universities

George Mason University for the year ended June 30, 2016 *
Norfolk State University for the year ended June 30, 2016 *
Old Dominion University for the year ended June 30, 2016*
University of Virginia's College at Wise Perkins Loan Program Liquidation

Finance

Payroll Service Bureau for the period July 1, 2014 through June 30, 2016

Health and Human Resources

Virginia Foundation for Healthy Youth for the year ended June 30, 2016

Public Safety and Homeland Security

Department of Veterans Services Audit of Payroll Operations as of June 30, 2016*
Veterans Services Foundation for the calendar year ended December 31, 2016*

Technology

9-1-1 Services Board for the year ended June 30, 2016
Assistive Technology Loan Fund Authority for the year ended June 30, 2016
Innovation and Entrepreneurship Investment Authority, including its blended component unit, the
Center for Innovative Technology for the year ended June 30, 2016

Special Reports

Progress Report on Selected System Development Projects in the Commonwealth as of December
31, 2016 *
Report to the Joint Legislative Audit and Review Commission for the quarter January 1, 2017
through March 31, 2017
Review of Agency Performance Measures for the year ended June 30, 2015*

Clerks of the Circuit Courts

Cities:

Bristol – October 1, 2015, through March 31, 2017*
Buena Vista – April 1, 2015, through December 31, 2016
Chesapeake – April 1, 2016, through March 31, 2017
Chesapeake - as of May 24, 2017 ❖
Chesapeake – July 1, 2015, through June 30, 2016
Norfolk – October 1, 2015, through December 31, 2016
Radford – October 1, 2015, through March 31, 2017
Richmond – July 1, 2015, through December 31, 2016
Roanoke – January 1, 2015, through December 31, 2016
Staunton – July 1, 2015, through December 31, 2016
Winchester – January 1, 2016, through December 31, 2016

Counties:

Amherst – January 1, 2016, through December 31, 2016
Bath – January 1, 2016, through December 31, 2016*
Bedford – April 1, 2015, through March 31, 2017
Brunswick – July 1, 2015, through December 31, 2016
Buchanan – April 1, 2015, through December 31, 2016
Buckingham – April 1, 2015, through December 31, 2016
Campbell – April 1, 2015, through December 31, 2016*
Carroll – January 1, 2016, through December 31, 2016*
Charles City – January 1, 2016, through December 31, 2016*
Charlotte – July 1, 2015, through December 31, 2016
Clarke – January 1, 2015, through December 30, 2016*
Dickenson – July 1, 2015, through March 31, 2017*
Fairfax – July 1, 2015, through June 30, 2016^
Floyd – January 1, 2016, through December 31, 2016
Franklin – July 1, 2015, through March 31, 2017*
Frederick – July 1, 2015, through March 31, 2017
Giles – April 1, 2016, through March 31, 2017
Gloucester – July 1, 2015, through December 31, 2016
Grayson – January 1, 2016, through March 31, 2017
Halifax – October 1, 2015, through December 31, 2016
Henry – January 1, 2016, through June 30, 2016
Isle of Wight – January 1, 2016, through March 31, 2017
King and Queen – January 1, 2016, through December 31, 2016*
Madison – May 1, 2015, through December 31, 2016
Martinsville – July 1, 2015, through June 30, 2016^
New Kent – January 1, 2016, through December 31, 2016*
Northampton – April 1, 2016, through March 31, 2017
Patrick - as of March 31, 2017 ❖
Prince Edward – July 1, 2015, through December 31, 2016
Prince William - as of February 16, 2017 ❖
Pulaski – July 1, 2015, through December 31, 2016
Rockbridge – July 1, 2015, through December 31, 2016
Rockingham – July 1, 2015, through June 30, 2016^*
Shenandoah – October 1, 2015, through December 31, 2016*
Southampton – October 1, 2015, through March 31, 2017
Surry – July 1, 2015, through December 31, 2016*
Washington – January 1, 2016, through March 31, 2017

State Accounts

Cities:

Norfolk - as of April 28, 2017 ❖

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

Cities:

Loudoun

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

Cities:

Alexandria*
Chesapeake

Fairfax
Hampton

Norfolk
Virginia Beach

Counties:

Accomack
Arlington*
Carroll
Charlotte
Clarke
Culpeper

Dinwiddie
Fauquier*
Gloucester
Lancaster
Loudoun
Mathews

Nelson
Northampton
Northumberland
Patrick
Shenandoah
Wise*

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

Cities:

Buena Vista

Falls Church*

Counties:

Cumberland*
Essex

Greene
Madison

Orange*
Prince George*

Richmond

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

Cities:

Hampton
Norfolk

Richmond*
Virginia Beach

Winchester

Counties:

Accomack	Frederick	Rockingham
Clarke	Lancaster	Shenandoah
Culpeper*	Loudoun*	Stafford*
Fairfax*	Nelson	
Fauquier*	Northampton*	

Magistrates (July 1, 2015, through June 30, 2016)

- District 1 (City of Chesapeake)
- District 2 (City of Virginia Beach)
- District 2A (Counties of Accomack and Northampton)
- District 3 (City of Portsmouth)
- District 7 (City of Norfolk)
- District 16 (City of Charlottesville; Counties of Albemarle, Culpeper, Fluvanna, Goochland, Greene, Louisa, Madison, and Orange)
- District 17 (County of Arlington)
- District 19 (City of Fairfax and County of Fairfax)
- District 20 (Counties of Fauquier and Loudoun)
- District 25 (Cities of Buena Vista, Staunton, and Waynesboro; Counties of Alleghany, Augusta, Bath, Botetourt, Craig, Highland, and Rockbridge)

*Denotes management control finding

^Performed by a certified public accounting firm

❖ Denotes Turnover Reports