



JOINT LEGISLATIVE AUDIT
AND
REVIEW COMMISSION

QUARTERLY REPORT SUMMARY
OCTOBER 1, 2015 THROUGH DECEMBER 31, 2015

Auditor of Public Accounts
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QUARTERLY REPORT SUMMARY - OCTOBER 1, 2015, TO DECEMBER 31, 2015

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 October 1, 2015, to December 31, 2015. 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

2015 State of Information Security in the Commonwealth of Virginia

The Commonwealth's agencies continue to be challenged with keeping their information security programs in compliance with their applicable information security standard and technology-specific industry best practices. The most common cause for non-compliance cited by agencies is the lack of resources to keep up with changing and additional requirements introduced with each security standard update. The number of information security findings issued to agencies in fiscal year 2015 increased to 95 from 51 in fiscal year 2014. Partially, this trend correlates to the additional requirements introduced in the Commonwealth's Information Security Standard, starting in 2013, a lack of agencies' resources to implement those additional information security controls, and an improved risk analysis process used by the APA to establish information security audit scopes. The [Full Report](#) is available on our website.

Governance over Enterprise Applications – December 2015

Without a governance structure and framework, agencies that manage the current enterprise applications have autonomous control to decide when to modernize their applications, how to modernize, and what software to use. The Commonwealth could strengthen its governance over enterprise applications by establishing a Deputy Chief of Staff position with responsibility over governance along with a group of legislative representatives and executive branch data stewards to advise the Deputy in establishing a Commonwealth strategic direction over enterprise applications, setting long-term goals, prioritizing their replacement and upgrade, and providing transparency of their choices via a six-year plan. This governance structure would remove silos and biases that agencies currently managing enterprise applications may have about those systems. The [Full Report](#) is available on our website.

Review of eVA and Cardinal Interface Efforts – December 2015

The current efforts to integrate the Cardinal finance module and eVA procurement system are expected to cost \$8 million and provide an interface for roughly 11,000 transactions annually, resulting in a cost that outweighs the efficiency and transparency benefits it would add. We recommend suspending the current effort until a business case is made to support the initiative. In addition, we recommend the eVA and Cardinal teams consider alternatives that may allow Cardinal

users to obtain the best benefits from both the Enterprise Resource Planning (ERP) system and eVA, which may include allowing procurements to initiate within the ERP in lieu of the 2011 mandate that they begin in eVA. The [Full Report](#) is available on our website.

[Review of the Commonwealth's Mobile Devices – September 2015](#)

The Virginia Information Technologies Agency (VITA) issued the first comprehensive set of standards governing the management and use of mobile devices in January 2013. Prior to this, agencies had very little guidance or requirements on how to manage mobile devices. The standards adequately address the assignment, evaluation of need, protection, monitoring, and usage of mobile devices. However, since VITA issued the standards half way through our audit period (calendar year 2012 and 2013), many agencies did not begin implementing or following the standards until sometime during 2013 and some agencies were not aware of the standards at all. As a result, eighteen out of 24 agencies and institutions of higher education surveyed did not have internal policies and procedures over mobile devices that adequately comply with VITA's standards. In addition, agencies did not have all of their mobile devices on the most cost effective plans and were not properly managing mobile device costs as evidenced by 990,525 unused minutes within pooled plans; \$558,435 in recurring minute and data overage charges; and \$1,590,533 for mobile devices that were unused for six to twelve months of the year during calendar year 2013. The [Full Report](#) is available on our website.

[Virginia Retirement System Schedules - Employer Reports for Pension Plans](#)

The Commonwealth and its localities were required to implement Governmental Accounting Standards Board Statement No. 68, which covers accounting and reporting of pension activity by employers, beginning in fiscal year 2015. Throughout the recent transition to the new pension standards, our Office was instrumental in providing state agencies and institutions, as well as local governments and their auditing firms, critical information to ensure compliance with implementing these changes for their 2015 financial statements. Our Office worked diligently to offer technical guidance and provide additional correspondence and outreach to keep the state agencies and institutions, local governments, political subdivisions, and the auditing firms updated throughout the implementation process.

In October 2015, the Virginia Retirement System provided the actuarial valuation reports, schedules of the applicable pension amounts, footnote disclosure information, and other financial reporting guidance to the participating state and local government employers for their financial statements. Likewise, our Office published the reports that included our audit opinions over the plan schedules and applicable pension amounts for the state employee, teachers, and political subdivision retirement plans. All of this information is available on the [New Pension Standards Resources](#) section of our website.

Agency Reports

Department of Veterans Services

During our audit of the Department of Veterans Services (Veterans) for the period July 1, 2012, through December 31, 2014, we found that Veterans plans to stop using the services of the Department of Accounts' Payroll Service Bureau (Bureau). We issued a Comment to Management for the Commissioner to ensure Veterans has the capabilities to develop and implement the functions and controls currently being provided by the Bureau before making their final decision. Additionally, we issued several internal control and compliance findings and recommendations related to financial operating procedures, approving time and attendance records, and controls over information systems.

Virginia Health Workforce Development Authority

Our audit of the Virginia Health Workforce Development Authority (Authority) for the fiscal year ended June 30, 2014, noted the Authority has only one funding source, a federal grant, and is currently using the maximum amount allowed, 25 percent, to maintain operations. In a Comment to Management, we emphasize the need for the Authority to identify and secure additional funding to ensure its sustainability. Additionally, we provided management with 11 recommendations to aid them in improving their internal controls. Of the eleven recommendations, six are repeat issues that we included in our last audit report for the Authority. While according to management, one of the six prior year issues have been corrected, it was corrected after the end of the current audit period. We will evaluate the effectiveness of any new controls as part of our next audit of the Authority. In the meantime, management should work to secure funding and implement internal controls as necessary.

Higher Education Institution Reports

Norfolk State University

During our audit of Norfolk State University for the fiscal year ended June 30, 2015, we noted the University has continued to make significant progress in addressing our findings. While our report included internal control and compliance findings, there was only one repeat finding and no material weaknesses. We noted internal control and compliance deficiencies related to systems access, information system security, and federal programs. The University submitted this report along with other information requested by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) and, at its meeting in December 2015, SACSCOC removed the University from probation.

Virginia Community College System

During our audit of the [Virginia Community College System](#) for the fiscal year ended June 30, 2014, we identified various internal control and compliance deficiencies across multiple community colleges and the central office. These recommendations address problems in assigning, segregating, and maintaining access to various systems, along with deficiencies in other business processes including accounts receivable, human resources, payroll, and student financial aid. Below is a summary of the internal control and compliance areas where findings were issued at multiple community colleges.

Control and/or Compliance Area	Number of Community Colleges
Federal Student Financial Aid	9
Employee Separation Procedures	7
Systems Access	4
Allowance for Doubtful Accounts	2
Journal Entry Approvals	2
myVRS Navigator Reconciliation Process	2
Payroll	2
Administration of X Batch Checks	1
Database Security	1
Documentation of Policies and Procedures	1
Leave Tracking and Reporting	1
Outside Service Organizations	1

Other Reports

During the quarter, we issued the [2015 Annual Report of the Auditor of Public Accounts](#). This report provides an overview of some of the more significant activities and results of audits from the past year.

We also issued our report on [Revenue Stabilization Fund Calculations](#) for the year ended June 30, 2015, which includes calculations for the Revenue Stabilization Fund as required by Article X, Section 8 of the Virginia Constitution and Section 2.2-1829 of the [Code of Virginia](#). As of June 30, 2015, the balance in the Revenue Stabilization Fund was \$467.7 million. During fiscal year 2015, a deposit of \$243.2 million was made to the Revenue Stabilization Fund and a withdrawal from the fund of \$467.7 million occurred. Additionally, based on fiscal year 2015 certified tax revenues, the General Assembly is required to make a mandatory deposit of \$605.6 million to the Revenue Stabilization Fund in fiscal year 2017.

Finally, during this quarter we completed our audit of the [Commonwealth's Comprehensive Annual Financial Report](#), issuing an unmodified opinion on the Commonwealth's financial statements.

Other Activities

Strategic Planning Initiatives

In September 2015, we began a new strategic planning process that focuses on value-based leadership and incorporates as much feedback and perspective from all staff levels as possible. This strategic plan, which we plan to finalize in early 2016, will drive our internal goals and actions over the next five years.

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
Constitutional Officers	Presented information to new constitutional officers on the role of the Auditor of Public Accounts and our interaction with Constitutional Officers.
New Legislator Training	Presented information to new members of the House and Senate on role and responsibilities of the Office of the Auditor of Public Accounts.
New Sheriff's School sponsored by the Virginia Sheriff's Institute	Presented information on accounting and auditing issues related to Sheriffs including the Virginia Sheriff's Accounting Manual content, audit specifications for CPA firms related to the Sheriffs' offices, information about audit procedures we perform related to Sheriffs' offices, and typical audit findings.
Virginia Association of School Business Officials	Co-presented with Virginia Retirement System staff to provide an update on the Commonwealth's implementation of new pensions standards including providing information on resources available to assist them in complying with the new pension standards and the roles and responsibilities of the various entities involved in implementation.

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*	Exposure Draft: <i>Accounting and Financial Reporting for Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans</i>
GASB*	Exposure Draft: <i>Implementation Guidance Update-20XX</i>

*Governmental Accounting Standards Board

SUMMARY OF REPORTS ISSUED

This Office released the following reports during the period October 1, 2015, to December 31, 2015. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

Independent Agencies

Virginia Lottery for the year ended June 30, 2015*

Executive Departments

Administration

Department of General Services' Division of Real Estate Services for the year ended June 30, 2015*

Commerce and Trade

Virginia Biotechnology Research Partnership Authority for the year ended June 30, 2015

Virginia Economic Development Partnership for the year ended June 30, 2015

Virginia Racing Commission for the year ended June 30, 2015

Education

Frontier Culture Museum of Virginia for the fiscal years ended June 30, 2012, and June 30, 2013*

Virginia College Savings Plan for the year ended June 30, 2015*

Colleges and Universities

Norfolk State University for the year ended June 30, 2015*

Virginia Community College System for the year ended June 30, 2014*

Virginia Polytechnic and State University for the year ended June 30, 2015

Health and Human Resources

Virginia Health Workforce Development Authority for the year ended June 30, 2014*

Public Safety

Department of Veterans Services for the period July 1, 2012 through December 31, 2014*
Virginia Department of Alcoholic Beverage Control for the year ended June 30, 2015*

Special Reports

2015 Annual Report of the Auditor of Public Accounts
2015 State of Information Security in the Commonwealth of Virginia*
Governance over Enterprise Applications – December 2015*
Report to the Joint Legislative Audit and Review Commission for the quarter July 1, 2015 through September 30, 2015
Revenue Stabilization Fund Calculations for the year ended June 30, 2015
Review of eVA and Cardinal Interface Efforts – December 2015*
Review of the Commonwealth’s Mobile Devices – September 2015*
Virginia Retirement System GASB 68 Schedules for the following:
 Political Subdivision Retirement Plans for the fiscal year ended June 30, 2014
 State Employee Retirement Plan for the fiscal year ended June 30, 2014
 State Employee Retirement Plan for the fiscal year ended June 30, 2013
 Teacher Retirement Plan for the fiscal year ended June 30, 2014
 Teacher Retirement Plan for the fiscal year ended June 30, 2013
Virginia Retirement System Management’s Assertions Related to Census Data for the year ended June 30, 2014

Clerks of the Circuit Courts

Cities:

Fredericksburg – July 1, 2013 through March 31, 2015*
Petersburg – January 1, 2014 through June 30, 2015*
Richmond – January 1, 2014 through June 30, 2015
Rockbridge – October 1, 2013 through June 30, 2015*
Staunton – January 1, 2014 through June 30, 2015

Counties:

- Brunswick – January 1, 2014 through June 30, 2015*
- Caroline (Turnover) as of September 11, 2015
- Charles City – January 1, 2014 through June 30, 2015*
- Charlotte – January 1, 2014 through June 30, 2015*
- Cumberland – January 1, 2014 through June 30, 2015
- Franklin – January 1, 2014 through June 30, 2015*
- Frederick – January 1, 2014 through June 30, 2015
- Halifax – January 1, 2014 through September 30, 2015
- Henrico – January 1, 2014 through September 30, 2015
- King and Queen – January 1, 2013 through June 30, 2015
- Madison (Turnover) as of July 31, 2015
- Mathews – October 1, 2013 to June 30, 2015
- New Kent – April 1, 2014 through June 30, 2015*
- Richmond – January 1, 2014 through June 30, 2015
- Stafford – January 1, 2014 through June 30, 2015*
- Sussex – July 1, 2013 through March 31, 2015

State Accounts (For the year ended June 30, 2015)

Cities:

- | | |
|------------------------------|--------------------------------|
| Alexandria | Lynchburg |
| Buena Vista | Lynchburg - October 31, 2015 ❖ |
| Charlottesville | Manassas Park |
| Chesapeake | Martinsville* |
| Covington | Norfolk |
| Danville | Petersburg* |
| Danville - August 14, 2015 ❖ | Portsmouth |
| Emporia | Roanoke |
| Falls Church | Salem |
| Franklin | Suffolk |
| Hopewell | Virginia Beach |

Counties:

Albemarle	Floyd	Loudoun	Prince William
Amelia	Fluvanna	Louisa	Richmond
Arlington	Franklin	Lunenburg	Richmond
Botetourt	Frederick	Madison	Roanoke
Brunswick	Giles	Mathews	Rockbridge
Brunswick - November 20, 2015❖	Gloucester	Middlesex	Russell
Buckingham	Goochland	Montgomery	Southampton
Campbell	Greene	Nelson	Stafford
Carroll	Halifax*	Northumberland	Surry
Charles City	Hanover	Orange*	Sussex
Chesterfield	Henrico	Page	Warren
Clarke	Henry	Pittsylvania	Westmoreland
Craig	Highland	Powhatan	York
Culpeper	King George	Prince Edward	
Dickenson	Lancaster	Prince George	

Combined District Court

Counties:

- Buckingham – July 1, 2013 through June 30, 2014*
- Southampton – July 1, 2014 through June 30, 2015

General District Court

Counties:

- King and Queen – July 1, 2013 through June 30, 2014
- Stafford – July 1, 2013 through June 30, 2014*

Juvenile and Domestic Relations Court

Counties:

- King and Queen – July 1, 2013 through June 30, 2014
- King William – July 1, 2013 through June 30, 2014

*Denotes management control finding

❖ Denotes turnover reports