



**REPORT TO THE
VIRGINIA GENERAL
ASSEMBLY**

**FISCAL YEAR ENDING
JUNE 30, 2010**



The Auditor of Public Accounts serves Virginia citizens and decision-makers by providing unbiased, accurate information and sound recommendations to improve accountability and financial management of public funds.

2010 REVIEW

Of the 125 state agency and institution audits we conducted, we issued 22 Efficiency or Risk Alerts highlighting major issues and 119 findings and recommendations to improve internal control and compliance. We reviewed the activity of 207 General, Juvenile and Domestic Relations, and Combined District Courts and issued 242 findings. For Circuit Courts, we did reviews of 121 and found issues in 44 courts resulting in 89 findings. We also reviewed the local collection of state revenue by conducting 132 reviews of the local constitutional officers and issuing 26 findings.

We did most of the work above in conjunction with our audit of the State Comptroller's Comprehensive Annual Financial Report and the Statewide Single Audit of federal grants and contracts. Further, we issued 15 reports looking at a wide range of topics from a review of consideration of policy issues for establishing Inspectors General to reducing the cost of systems by implementing data standards for new systems development.

The Commonwealth recognized a saving of \$4.4 million by implementing changes in how to make deposits of District Court collections. Our report on the Collection and Cost of Operating the Circuit and District Courts recommended changes to generate these savings.

The Commission on Government Reform and Restructuring has asked for a number of our reports, which deal with the Commonwealth's budgeting process, shared services, inspectors general, and Commonwealth Data Point. In addition to requesting the reports, two Project Leaders made presentations on our Review of Service Agency Arrangements and Commonwealth Data Point to subcommittees of the Commission.

Our office continues to be the only state audit agency that conducts a statewide review of information technology security processes and procedures. Our on-going review of systems development projects continues to reduce the risk of technology projects failing to meet their budget and implementation schedules. Also, our review of major projects such as STARS and VITA's contract with Northrup Grumman allow the General Assembly the opportunity to measure the progress on these projects and determine when they need revision, as in the case of STARS.

We have accomplished all this work while, like the rest of state government, experiencing a reduction in our general fund appropriation and having reduced staffing so that we have 3 less project leaders and 20 fewer staff positions. We continue to use technology to improve our audit efficiency and effectiveness such as the work we have done with the District Courts; however, these reductions will reduce the number of products we can produce.

The number of frauds reported to this office increased during fiscal 2010 and we continue to work with agency and institutional internal auditors investigating and disposing of these cases. The continuous audit and review of state agencies and institutions continues to also be one of the fundamental preventative controls the Commonwealth has in this area.

Our regular audit and review work coupled with the work on special projects continues to provide the Commonwealth with strong preventative controls to avoid loss and improve operations. We continue to comply with all auditing standards and make sure the Commonwealth has a secure and sound financial process with good internal controls.

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SIGNIFICANT REPORT FINDINGS AND RECOMMENDATIONS

Following are selected findings from some of the reports we have issued during the past year.

Analysis of Audit Resources and Inspector General Functions Review of the Internal Audit Function

These two reports reviewed the Commonwealth's capability to support an inspector general function and recommended cost effective ways to implement the function. Since a critical part of the inspector general report recommendations dealt with the conversion of the internal auditors to this new role, the second report assessed their capabilities to assume this function. The inspector general report also discussed improving the Commonwealth's Fraud Hot Line.

Analysis of Audit Resources and Inspector General Functions

- ★ Inspector general functions serve an important oversight role within government; however, policy makers, when creating these offices, have created duplicated audit responsibilities.
- ★ Inspector general offices concentrate on investigating complaints and do not work on issues of accountability; fraud, waste, and abuse prevention; and program and operational reviews.
- ★ The Commonwealth has existing resources and capacity to conduct investigations of fraud, waste, and abuse; reviews of accountability; and reviews of programs and operations related to economy and efficiency. Demands of the current workload can at times exceed current resources and, in some cases, there is a need to coordinate efforts of the various groups.
- ★ The Inspectors General in Virginia's Departments of Transportation, Corrections, and Juvenile Justices serve as model organizations for the creation of this function in the Commonwealth. These organizations avoid the duplication of audit efforts, provide a balance in program delivery, and have appropriate reporting oversight in their respective departments.

Should policy makers wish to create an inspector general function, this report reviews the issues that warrant consideration in creating these organizations. Inspector general functions appear most effective when they work within agencies and institutions and are part of the organizational structure. However, not every agency or institution needs an inspector general function; therefore,

the recommendation is that large organizations within a cabinet secretariat could provide resources for the smaller agencies through the Cabinet Secretary.

Inspector general functions should report at least annually on their work to the General Assembly. Further, the General Assembly should maintain oversight of the inspector general function by having either the Auditor of Public Accounts or Joint Legislative Audit and Review Commission review their operations.

Improvements to the State Employee Fraud Waste and Abuse Hotline could occur by expanding and coordinating the activities of the hotline. Outsourcing the call center could expand the availability of the hotline. Further, a coordinating group from the Legislative, Executive, and Judicial branches, rather than the State Internal Auditor, could help expand the hotline to all of state government and not just the executive branch.

Additional details for all of the above issues are included in the report. The report also includes other recommendations that are not part of this summary.

Review of the Internal Audit Function

The Auditor of Public Accounts issued an analysis of Commonwealth audit resources and inspector general functions in October 2009. That report concluded that the inspector general function serves an important oversight role within government; however, policy makers often duplicate audit responsibilities when they create these offices.

This report serves as a follow-up to the October 2009 report and concentrates on the current state of the Commonwealth's internal audit functions. We reviewed the internal audit functions at 23 state agencies and 14 institutions of higher education. This report highlights trends among the various internal audit functions and their compliance with certain *International Standards for the Professional Practice of Internal Auditing (Standards)*. Our review found that the 37 internal audit functions generally comply with all but one of the professional standards we reviewed.

About 36 percent of applicable internal audit functions did not comply with the external assessment portion of the Standard's Quality Assurance and Improvement Program. The most common response for noncompliance with this standard was the prohibitive cost of the external review in a difficult economic environment.

For entities that have an internal audit function, this report offers management other recommendations to improve their oversight of the internal audit function and increase compliance with the external assessment standard.

Finally, this report serves to provide management with a framework to analyze the necessity and scope of internal audit functions. Management must consider numerous factors when determining the necessity and scope of an internal audit function for their entity. We provide some of these factors in [Appendix B](#) to the *Review of the Internal Audit Function* report. After consideration of these factors, management can choose one of four options for their entity:

1. Maintain their current internal audit function in scope and size.
2. Maintain an internal audit function but increase or decrease the function in scope or size.
3. Convert to an internal control or risk management function, similar to the positions at Correctional Education and Education.
4. Convert to an inspector general function within their entity, akin to the model at Corrections, Juvenile Justice, and Transportation.

Enterprise Data Standards – Progress Report
Enterprise Data Standards for Human Services

The Commonwealth continues to incur the cost in each new system of redefining the same information needs and not achieving the ability to have systems share information. These reports highlight the lack of progress on Data Standards and show the results of not having the standards.

Review of Commonwealth Data Standards

As of October 15, 2009, more than one year after required by the Appropriations Act, there are no adopted new data standards for any business area. The Appropriations Act (Act), Chapter 879 contained language requiring that by October 1, 2008 the Departments of General Services, Treasury, Human Resource Management, Planning and Budget, and Accounts provide the Department of Transportation and Chief Applications Officer (CAO) with the data standards for specific areas necessary to conduct business. This deadline was set in order to have defined data standards available for the new financial management and performance budgeting systems when they needed them.

Virginia currently has some data standards, but the standards are nearly 30 years old and come from our existing statewide systems, which the Commonwealth installed when the cost of data storage was expensive. As the Commonwealth has matured and the need for information has grown, the current data has remained relatively the same.

To compensate for these data limitations, state agencies have frequently purchased their own commercially available systems to provide more robust data. In addition, data among the agencies is not consistent because there are no data standards beyond the basic information required in the old systems. Even if the agencies could provide central entities such as the State Comptroller and Planning and Budget with more detailed or timely information, the central systems cannot store the additional data elements.

The Departments of Transportation and Planning and Budget are implementing new enterprise financial management and performance budgeting systems to replace the current systems. Given price reductions in data storage and improvements in technology and applications, now is the

time to improve existing data standards for accounting and budgeting so the new applications work together and meet the Commonwealth's data needs.

Enterprise Data Standards for Human Services

The intake process for human services, which includes health and social services, in the Commonwealth is inefficient. Agencies within the Health and Human Resources Secretariat are collecting the same demographic information on the same individuals multiple times and inconsistently verifying the information with outside sources.

This review inventoried the demographic data the Commonwealth collects to manage human services, determined how agencies share this data, and identified barriers for expanding the sharing and use of demographic data.

Our review found the agencies in the review are collecting and entering the same demographic data for the same individuals, inconsistently verifying data, and have inconsistent data sharing agreements. Additionally there are no Commonwealth data standards for demographic data.

We recommended that the Secretaries of Health and Human Resources and Technology work with other Commonwealth agencies that collect demographic data to develop data standards for the Commonwealth. In addition, any future systems development efforts should consider the system's ability to share and communicate with other systems within the Commonwealth.

Review of Service Agency Arrangements

It is not enough to just share services; many times agencies need more than just assistance with the processing of transactions, but guidance, oversight, and direction to prevent problems.

Review of Service Agency Arrangements

Historically, Commonwealth agencies have remained autonomous from other organizations in all operational aspects, whether in the delivery of core mission services or administrative functions. Agency accountability for their performance and comfort with the quality of the managerial data available to them has driven the desire for autonomy.

Not all agencies are internally equipped with sufficient resources, knowledge, or guidance to independently maintain adequate internal controls using this autonomously driven organizational model. In fact, many agencies have such limited resources that the loss of one person can compromise the institutional knowledge and internal control environment needed to process key transactions and fulfill administrative responsibilities.

The Auditor of Public Accounts has consistently recommended that agencies with limited resources use the fiscal and administrative support functions of larger agencies to supplement their operations. This type of arrangement can allow such agencies to concentrate on providing core

mission services and effectively minimize resources dedicated to administrative functions, while enhancing their internal control over these functions.

We have evaluated 60 executive branch agencies, with less than 350 full-time positions, and identified ten with the strongest potential for compromise of their internal controls. We believe they would benefit from the implementation of a shared service center, supported by a comprehensive memorandum of understanding. Key to this comprehensive memorandum will be the expansion of the substance of the relationship between the service provider and the agency to transfer more responsibility for internal controls to the service provider.

Finally, when implementing the service centers, the need of each Secretariat should be the focus of the arrangement, meaning each Secretary should work with their agencies to determine which service solution will maximize the available resources and improve each agency's internal controls. By addressing these issues in a consolidated manner, the likelihood for success will increase and result in strengthened internal controls.

Review of Budget Transparency ***Review of Agency Performance Measures***

In order to achieve Budget Transparency, there needs to be agreement on what transparency should achieve. Also, the current budget documents and performance web site will need to undergo significant revision.

Review of Budget Transparency

Despite recent transparency legislation and initiatives, Virginia falls short of achieving budget transparency. Transparency is a key term in government today as citizens become increasingly interested in how their tax dollars are spent and the resulting benefits. Because the budget is a government's primary tool for setting priorities and allocating resources, the concept of a transparent budget is significant. A transparent budget process is clear, visible, and understandable to any citizen with an interest in the information. In addition, budget transparency can increase public confidence in government and promote fiscal responsibility.

In this report, we build on our previous reports and those of JLARC by evaluating the transparency of the budget information in three significant documents in the Commonwealth's budgeting and financial reporting processes. Those documents are the Executive Budget Document, the Appropriation Act, and the Comprehensive Annual Financial Report (CAFR).

Each document satisfies various statutes, but none achieves budget transparency. Of these three documents, the Executive Budget Document comes the closest to providing transparent information on the Commonwealth's budget; however, it is only relevant for a short time. Citizens cannot easily understand either the Appropriation Act or the CAFR without some technical training and government experience.

In promoting transparency, the Governor and General Assembly should consider exactly what they wish to achieve with an understanding of what level of transparency is actually attainable

at this level of government. Given the structure of Virginia's government, currently available resources, and existing statutory regulations, the Commonwealth may need to rethink its approach if it hopes to make transparency a reality for the citizens. We offer the following considerations for the Governor and the General Assembly in regard to budget transparency.

1. Budget transparency means different things to different people. In promoting transparency, the Governor and General Assembly should consider what they are trying to achieve. It is important to remember that making more data available does not necessarily improve transparency unless the citizens can translate the data into useful information.
2. Most of the information currently generated during the budget process was not designed to achieve transparency. Several of the current key documents satisfy statutory and other requirements and do not purport to provide transparency into government operations.
3. The Commonwealth's operational size and complexity does impact how much transparency is easily achievable, since operations include multiple agencies and programs with complex funding sources. Smaller governments can more easily achieve a greater level of transparency by not only having a simpler structure, but also not requiring a greater degree of specialized knowledge to understand the information.
4. The lack of enterprise-wide financial management systems also hampers our ability to provide transparent information. As a result, we have multiple websites with information on different aspects of government operations, some of which duplicate each other, but none of which a user can easily relate to another.
5. The current government accounting and financial standard-setting bodies emphasize uniformity in reporting while neglecting to stress the importance of clear, understandable fiscal information.

Review of Agency Performance Measures

This report summarizes our review of the executive branch agency performance measures and provides recommendations based on our observations. Section 30-133 of the Code of Virginia requires the Auditor of Public Accounts to conduct an annual audit of performance measures and to review the related management systems used to accumulate and report the results.

We reviewed information on *Virginia Performs* for 48 key performance measures and nine productivity measures at selected agencies. Governor Kaine designated key performance measures as critical to the central operational purpose of each agency, and productivity measures show the costs associated with core business functions. We reviewed information on *Virginia Performs* to determine if the performance measure information was accurate, reliable, and understandable.

Performance management in the Commonwealth is an evolving process, and there has been significant improvement in the overall completeness and accuracy of reported performance measures information since our first review in 2002. Overall, we have found that performance measures

results reported on *Virginia Performs* are accurate and reliable, but the usefulness of the information continues to be limited.

We continue to find that citizens and others may have difficulty understanding the information because performance measure names, descriptions, and methodologies are inaccurate, incomplete, and confusing. In addition, *Virginia Performs* does not include a link between the budget structure and amounts appropriated to the performance measures reported. The Commonwealth's current financial systems have inherent technological shortcomings that have hindered efforts to link budget and performance information. We have included both of these issues in our previous reports, and until the various parties involved in the process address these issues, we believe information on *Virginia Performs* will be of limited usefulness to both those inside and outside of government.

Planning and Budget is in the process of developing and implementing a new budgeting and performance management system that will eventually replace *Virginia Performs*. Planning and Budget expects the new system will provide additional functionality that will help to address some of the findings in this report and the new administration should consider these as they move forward with this system initiative.

SPECIALTY TEAMS

We make identifying high-risk operations and areas for improving efficiencies part of every audit, and many of our findings and recommendations occur over time. As part of post implementation review at an institution of higher education, we recommended increasing the use of the system's workflow applications to reduce paper work, reduce the time necessary to process transactions, and improve management control and oversight of transactions.

We used this knowledge to make recommendations at other institutions of higher education, also increasing their operational efficiency. Our specialty teams allow our audit teams to focus on these high-risk operations and areas where changes can improve efficiencies.

We developed our specialty teams based on areas, activities, or processes which could put the management of Commonwealth assets at risk. Following are the objectives of each of the teams. The objectives highlight their areas of concentration and audit work. Following these objectives are the special projects identified in our 2011 work plan and their status, and any projects in the 2010 work plan pending release.

In addition to their specialty training, every auditor receives fundamental training in auditing, computer, and analytical skills. Also, there are training sessions to familiarize all the staff in the general skill set of each of the specialty teams. The general skill set training allows the auditor to identify the need for a specialist.

Acquisition and Contract Management

The Acquisition and Contract Management Team supports prudent contracting and administration within the Commonwealth by providing analysis of financial information and best practices relating to contractual matters and the effectiveness, efficiency, and economy of various contractual services to those responsible for procurement and contract administration. The Team takes special interest in monitoring and evaluating long-term contracts, such as the Infrastructure Partnership between the Virginia Information Technologies Agency and Northrop Grumman.

The Team also works with the Departments of Accounts and General Services Division of Purchase and Supply, and the Commonwealth Chief Application Officer to monitor the development of enterprise data standards for procurement and payment processing. The Team provides a means for auditors to perform continuous auditing services related to purchase and payment processes through the use of analysis of purchase card, eVA, and other financial system data.

2011

Department of State Police - STARS Radio System

Objectives: We plan to perform our final audit of this \$361 million radio replacement project managed by the State Police to ensure completion on budget and within the new schedule. We will perform a project closeout audit to ensure that the State Police received, inspected, and paid for significant deliverables. We will also examine the required maintenance costs of this new system. We expect to issue our report in April 2011.

VITA - Contract Management

Objectives: We will continue to monitor VITA's management of the Infrastructure Partnership with Northrop Grumman; however, we will review the Commonwealth's IT in a broader sense by auditing the entire VITA organization including: the Partnership, project management oversight, IT procurement oversight, application development oversight, and their interrelation. We plan to issue a single consolidated report in April 2011.

Statewide Review of Procurement Automation and Control

Objectives: Continuing from the 2010 work plan, we will analyze the Commonwealth's progress toward automating the procurement process by using eVA and other electronic procurement systems. We will examine the extent of use of the current procurement systems as compared to available functionality and controls, and examine how those systems interface with existing financial systems, other than CARS. We plan to issue a final report in October 2010.

Statewide Review of Disbursement Methods

Objectives: Continuing from the 2010 work plan, we will analyze the various methods used by Commonwealth agencies and institutions to pay suppliers, employees, citizens, and others. We will examine the relative volume and cost as well as qualitative risk factors involved in using each payment method in order to identify potential opportunities to reduce payment processing costs or lower risk associated with disbursing funds. We plan to issue a final report in August 2010.

Budgeting and Performance Management

The Budgeting and Performance Management Team monitors the budget process and performance management initiatives to help the Office identify potential financial management issues and areas of risk. The team provides information within the Office on the budget development process and monitors budget legislation as it moves through the legislative process. The team also analyzes budgetary activity during the year to identify significant changes in the budget approved by the General Assembly. This work analyzes

the original and final budgets for agencies, and evaluates reasons for changes. The Office uses this analysis as a risk identification tool.

The Team also works on several annual projects that address statewide budget and performance issues. One project is a statewide review of appropriations controls, which analyzes changes made to the budget approved by the General Assembly.

Another project is our annual statewide review of performance measures, which is a statutory requirement. As part of this review, we review agency performance measures information reported on the Virginia Performs website to ensure the information is accurate and understandable.

2011

Review of Non-General Fund Forecasting

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

Council on Virginia's Future

Objectives: Continue providing staff assistance to the Council on Virginia's Future as required by Section 2.2-2688 of the Code of Virginia.

Capital Asset Management

The Capital Asset Management Team seeks to ensure that the Commonwealth has the proper management, control, and valuation of capital assets; infrastructure; depreciation; preventive, corrective, and deferred maintenance; leases and installment purchases; and historic treasures. The Team bases its work on a life-cycle approach to capital asset management.

The Team supports the Office's priority to audit the Commonwealth's Comprehensive Annual Financial Report by auditing the Commonwealth's \$19.6 billion in capital assets, which includes land, buildings, improvements, equipment, infrastructure, and construction in progress. Specifically, the Team audits the construction and capitalization of the \$15.8 billion in highway infrastructure that makes up the Commonwealth's roadways.

With its expertise in lease reporting, the Team assists the Commonwealth in evaluating significant transactions that result in operating and capital leases, such as the Virginia Port Authority lease of APM Terminals, PPEA proposals to replace the 8th and 9th Street Office buildings, and PPEA proposals for energy performance contracts. This evaluation process ensures the Commonwealth is aware of the financial impact of the contracts before entering into such significant transactions.

2011

Review of Department of Transportation's Asset Management System

Objectives: To gain an understanding of Transportation's Asset Management System used to track road conditions and determine maintenance needs. To review and evaluate how Transportation uses the data in the system to determine maintenance needs and request funding. To determine how Transportation tracks whether the maintenance needs and uses maintenance funding.

Status: Issued on July 23, 2010

Results: Transportation's Asset Management System is capable of providing an accurate, independent, consistent assessment of the Commonwealth's infrastructure maintenance needs. The system can provide a list of assets and their corresponding needed repair. Such valuable information is available not only to high-level decision makers but also to the districts who carry out the maintenance activity.

Transportation should continue to use system information to determine maintenance funding levels and distribute those funds among the districts based on needs determined by AMS. Transportation management should establish maintenance priorities that guide the districts in their use of maintenance funds to ensure that the district's planned maintenance activities move Transportation towards meeting its performance measures and targets.

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.

Status: Issued on July 23, 2010

Results: The Commonwealth of Virginia spends over \$6 million on over 11,000 wireless telecommunication devices annually. However, the Commonwealth does not have up to date and comprehensive statewide policies, procedures, and guidance over the management and usage of these telecommunication devices. With improved management and oversight, the Commonwealth has the potential to save hundreds of thousands of dollars in wireless expenses.

The Commonwealth lacks tools to analyze telecommunication usage and costs effectively. We found several areas where phone use and associated charges did not appear consistent with efficient business use and where improved practices could result in cost savings.

Not all state agencies are using the statewide cellular contracts, and VITA has not turned over all responsibilities for telecommunications to Northrop Grumman. VITA and Northrop Grumman are in the process of transitioning all state agencies from the old statewide cellular contracts to the new statewide cellular contracts. However, VITA has no strategic plan or documented policies or procedures to complete the transition or to ensure Northrop Grumman is fulfilling this responsibility.

VITA and the Department of Accounts should work together to update, enhance, and expand the current statewide guidelines for cellular telephones so they address all telecommunication devices. VITA should develop effective tools for agency use to evaluate usage and costs. VITA should also develop a strategic plan to transition telecommunication responsibilities to Northrop Grumman.

Review of the Department of General Services Division of Real Estate Services

Objectives: Continuing from the 2010 work plan, we will identify and reduce duplication of efforts between the Division of Real Estate Services and the Department of Accounts related to the tracking of leases for management and financial reporting purposes. To determine reasonableness of the Division of Real Estate Services' statewide and internal lease policies and procedures. We expect to issue our report in April 2011.

Data Analysis

Data Analysis Team members strive to develop and teach techniques that allow the Office to conduct cross-cutting queries and analyses. The Team supports the Office's statewide audit approach by utilizing technology and computer-assisted auditing techniques. The Team also develops tools and methodologies that allow for the on-going monitoring of financial transactions and internal controls. This process requires acquiring, analyzing, and reporting on various types of data to identify operational and business risks. The Team supports and enhances almost every audit engagement or special project that the Office conducts by either directly performing the methods mentioned above or through a consultant type approach when necessary.

The Data Analysis Team also maintains, and continues to enhance Commonwealth Data Point, an internet database located on the Auditor of Public Accounts' website. Commonwealth Data Point allows citizens, legislators, and other policymakers access to a comprehensive source of financial and statistical data on the operations of the Commonwealth of Virginia. It has become the main transparency resource for Virginia.

2011

Development of Internet Database

Objectives: 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 Section 30-133 of the Code of Virginia. The Auditor of

Public Accounts shall update the database each year by October 15 to provide the information for the ten most recently ended fiscal years of the Commonwealth.

Planned Improvements:

In addition to maintaining the current website, we plan to continually enhance Commonwealth Data Point during 2011 as discussed below and also by implementing any user suggestions submitted.

- Continue to increase user friendliness and database efficiency.
- Collect and display annual bond indebtedness information, as well as capital outlay project information.
- Continue to evaluate different funding sources paid to localities.

Financial Management

The Financial Management Team promotes fiscal responsibility for and prudent use of Commonwealth resources by evaluating whether the Commonwealth has sound financial management practices. Financial management includes evaluating the efficient and effective use of resources and the management of funds, as well as the overall financial operations of the entity. These reviews include evaluating management and strategic goals and operations to ensure that entities are appropriately organized and managed to add value to the taxpayers and their assigned responsibilities.

The Financial Management Team has individuals with accounting, financial, and management backgrounds. Team members receive training on management of funds, strategic planning, and operations management.

2011

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.

Status: Will be issued by September 23, 2010

Results: Generally, we found that the agencies and institutions of higher education had sound investment policies that complied with best practices. Our comparison of investment policies of those agencies and institutions having investments determined if they followed best practices.

We found the areas of monitoring, follow-up, and periodic review of investment policies for certain institutions of higher education required strengthening. This improvement is especially important, where the institutions of higher education use an outside investment manager.

Higher Education

The Higher Education Programs Specialty Team completed financial statement audits of the Commonwealth's 14 state-supported universities and the 23 college Virginia Community College System. These audits determined that the universities met the financial management standards set by the General Assembly and therefore allow the universities to qualify for enhanced responsibilities under Higher Education Restructuring.

In the past year, the Team issued seven efficiency recommendations and 31 internal control or compliance findings and recommendations. The Team completed reviews of intercollegiate athletics programs at the 11 NCAA Division I universities, and audited Research and Development programs at three universities, Federal Student Aid at 12 colleges and universities, and the Virginia Community College System's Workforce Investment Act in support of the Commonwealth's Statewide Single Audit.

2011

Complete Review of Student Housing at State-Supported Universities

Objectives: Each of Virginia's 14 state-supported universities, as well as Richard Bland College and the University of Virginia's College at Wise, has on-campus student housing. Since 2000, nearly all of the universities have increased on-campus housing, but only about half of the universities have increased on-campus housing at a rate faster than their full-time enrollment growth.

Results: Nearly all universities plan to add on-campus housing to meet increased demand. The ability of Virginia's state-supported universities to work with their foundations and other third parties to create financing options allows the universities to expand their on-campus housing. The universities' foundations have been able to leverage their assets and borrow funds without increasing the direct debt on the universities' financial statements. However, this has not been without on-going obligations for the universities in the form of operating lease arrangements and commitments to fill foundation-owned facilities first.

Status: In the second phase of this project, with completion scheduled for December 1, 2010, we will review the impact of on-campus housing on the community housing markets.

Human Services Management

The Human Services Management Team audits any agency providing social and medical services in the Commonwealth. As an example, the Team reviews the services provided by

the Department of Veterans' Services, which operates in the Secretary of Public Safety but manages two long-term care centers. The Team does not evaluate the quality or necessity of care, but does evaluate if management is efficiently delivering services. Further, since a significant portion of human services funding comes from the federal government, the Team spends a considerable amount of time auditing these services for compliance with federal laws and regulations.

The Secretary of Health and Human Resources' Agencies audit report highlighted the American Recovery and Reinvestment Act of 2009 (ARRA) has the federal government funding a larger portion of Medicaid expenses, and this funding expires in December 2010. As result, the Commonwealth's General Fund will need to increase funding Medicaid, which will reduce available funds by nearly \$750 million for other programs.

The Team did the audit of the Weatherization Program, which received an increase of federal funding of 400 percent and the federal government identified as a high-risk program for improper spending of new funds. This work was part of the Office's participation in a pilot project with the U.S. Office of Management and Budget to help the federal government receive more timely information on how agencies and institutions were spending ARRA funds. As a result of this action, management received timely recommendations for improving the program before significantly spending ARRA funds.

2011

Funding restrictions have limited the work on special projects for 2011. The team does expect to issue its annual report on the agencies under the Secretary of Health and Human Resources.

Information Security

The Information Security Team evaluates agencies' information security plans and how they impact the accuracy of financial statements and protect mission critical and sensitive information. The Team evaluates information security plans against industry best practices and the Commonwealth of Virginia's policies, standards, and guidelines. As a highly technically-trained team, they also evaluate how hardware and software configurations ensure the appropriate levels of protection for the information they contain.

Each team member has an assigned area of technical concentration, which allows the Team to extend its expert knowledge base to all areas of information technology including: network infrastructure, server platforms, databases, and business applications. Collectively, the Team possesses several professional certifications including Microsoft Certified Systems Engineer, Cisco Certified Network Analyst, Certified Information System Security Professional, and Certified Information Systems Auditor.

2011

Statewide Report of Systems Security Findings

Objectives: An annual report identifying information security issues across state agencies. The report will also note any changes, additions, or deficiencies in the Commonwealth's Information Security Standard and Policy.

Status: We plan on issuing this report in October, 2010.

Information Systems Development

The Information System Development Team ensures systems being developed will process financial information accurately and efficiently, and create a usable audit trail. The Team reviews systems development projects including safeguards (called controls) that will promote accuracy, dependability, and security and reports whether projects are progressing on schedule, within budget, and toward success.

Team members undertake special training in project management and work towards certification as Project Management Professionals by the Project Management Institute. Additionally, team members regularly attend classes to keep current with system development best practices.

At least annually, the Information Systems Development Team issues a progress report that shows information relative to the systems development projects we are actively monitoring. This report includes project information including budget, schedule, critical milestones, contractors, and key stakeholders. The report also highlights specific systems development projects where we have concerns and recommendations that we deem most critical to the Commonwealth. The progress report provides Commonwealth decision makers with a good summary of all critical systems development projects underway in the Commonwealth and identifies those that may have future funding or schedule concerns. There is no other readily available source of the project information we provide in our progress report.

2011

Funding restrictions have limited the work on special projects for 2011. The Team does expect to issue its annual report *Progress Report on Selected System Development Projects in the Commonwealth.*

Judicial Systems

The Judicial Systems Team promotes sound financial management and accountability for funds by audits of the various courts, general receivers, magistrates, and constitutional officers. In addition, Team members are on-call to perform special reviews when there is a change of any Clerk of Circuit Court or Treasurer.

The Team ensures that the court and constitutional officers accurately process financial transactions, maintain sound internal controls, and comply with the Code of Virginia. This Team performs over 400 reviews annually.

The Team also works closely with the Supreme Court of Virginia to recommend process improvements that allow the Supreme Court to improve their oversight of the Circuit and District courts. We are able to provide a statewide perspective of all court operations to allow the Supreme Court to achieve efficiencies across all courts.

2011

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.

Status: During the 2010 General Assembly Session, the legislature implemented several recommendations from this report. The office worked with the House Appropriation and Senate Finance committees to realize savings of \$4.2 million by changing outdated processes. The goal is to complete and deliver a similar report and schedules to the prior year reports by September, 2010. This will include additional research and refinements to the data, as well as the details of outcomes from actions taken by the 2010 General Assembly. We will also include any additional recommendations that we have determined since the prior year report.

Reporting and Standards

The Reporting and Standards Team ensures that our Office is following current accounting and auditing standards and incorporates this information into our audits. For newly issued standards, the Team not only works with our auditors, but actively works with the State Comptroller and his staff; the Cabinet Secretaries, and local governments and their auditors to help everyone properly implement and follow generally accepted accounting principles and auditing standards.

It has been a busy year for the standard setting bodies. The American Institute of Certified Public Accountants is undergoing a project to rewrite all of its current standards. Further, the Governmental Accounting Standards Board has issued numerous proposed standards over the past year dealing with current accounting issues such as public private partnership arrangements, government bankruptcies, and pensions and other employee benefits. As a result, the Reporting and Standards Team reviewed and our Office responded to approximately 25 proposed standards during the year to ensure we have input into future standards that will impact our Office and the Commonwealth.

The Team specializes in the financial statement reporting model and assists in auditing the reporting process, including having primary responsibility for the audit of the Commonwealth's Comprehensive Annual Financial Report. Because of our expertise in the

financial statement reporting model, we regularly provide assistance in evaluating the impact of new legislation or contractual relationships on the Commonwealth's financial statements.

2011

Study - Collection of Receivables

Objectives: Conclude the review and report on the collection of the Commonwealth's receivables. Determine best practices the Commonwealth should use for appropriately extending credit, billing and collecting receivables, and reporting and determining collectability of each receivables class and determine the use of tax debt set-off. Make recommendations for improvement of the management and reporting of receivables.

Status: Final report issued in September 2010.

Results: During the fiscal year, the Commonwealth of Virginia had accounts receivable of over \$1 billion, excluding unpaid taxes to the Department of Taxation and unpaid fines and costs due the Virginia Courts. The Commonwealth is not able to extend credit only to creditworthy citizens by performing credit checks and establishing an individual's credit worthiness prior to providing services. In many cases, the Commonwealth is required to provide services to indigent individuals who otherwise cannot afford services. We identified six general best practices that agencies could utilize in order to better manage their receivables. Generally, we found that the agencies reviewed have implemented the identified best practices. However, we identified some opportunities for the Commonwealth to improve the administration of accounts receivable.

The Commonwealth should evaluate the current collection process including looking for ways to share resources and information and ensuring they are adequately using the resources available to them such as private collections agencies, the Division of Debt Collections, and the debt setoff program. Additionally, the Commonwealth should determine if it is cost efficient to have multiple collection service contracts or whether state agencies should operate from one contract. Agencies involved in the accounts receivable administration process should ensure that individuals are properly trained on the Commonwealth's policies and procedures and updated on industry best practices. Lastly, the Comptroller and the Department of Taxation should work together to determine if the Treasury Offset Program is beneficial for the Commonwealth.

Investigating Fraud and Other Matters

Investigating Fraud

During the course of the year, in accordance with the Section 30-138 of the Code of Virginia, we receive reports of circumstances indicating a reasonable possibility of fraudulent transactions. This Office conducts an initial review of all reports and, depending on the nature and circumstances, determines how best to proceed. The majority of reports and related situations result in this Office and the State Police coordinating our activities with agency, institution and locality officials, primarily internal auditors, and local law enforcement. The tables below outline the volume of activity we had reported during fiscal years 2008 through 2010.

Fraud Reviews

	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
Outstanding cases at beginning of fiscal year	43	51	25
New reports	48	39	51
Closed reports	<u>(58)</u>	<u>(47)</u>	<u>(25)</u>
Active cases at end of fiscal year	<u>33</u>	<u>43</u>	<u>51</u>

The following table provides a breakdown of the new reports received during the fiscal years 2008 through 2010 by type of entity.

New Reports

<u>Entity</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
Courts	6	2	2
Local Governments	9	4	7
Institutions of Higher Education	8	12	18
State Agencies	<u>25</u>	<u>21</u>	<u>24</u>
Total	<u>48</u>	<u>39</u>	<u>51</u>

During the year, we were able to resolve and close a number of reports. The breakdown of this resolution follows by fiscal year.

Closed Reports

<u>Disposition</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
No Conviction	25	15	8
Conviction	6	2	1
Conviction and Recovery	2	5	2
Administrative Action	9	15	3
Administrative Action and Recovery	<u>16</u>	<u>10</u>	<u>11</u>
Total	<u>58</u>	<u>47</u>	<u>25</u>

Other Matters

Often, we receive requests to review questionable activities to determine the nature of a problem and whether there is a reasonable possibility of fraud. As an example, the Secretary of Public Safety had received numerous complaints about various activities and processes followed by the Department of Criminal Justices Services during a re-organization. There were concerns within the Department that its new structure was interfering with its mission, delaying the distribution and management of federal funds and there were concerns about the selection of personnel.

We conducted a review and determined that there was no fraudulent activity; however, the re-organization and the processes followed had contributed to the complaints and other questions about operations. As part of the audit report on the Department of Criminal Justices Services, we provide the Secretary and new agency head information that would assist them in evaluating the severity of the situation and taking appropriate actions.

The following is a listing of all Agencies and Institutions reports issued by the Auditor of Public Accounts during the fiscal year ended June 30, 2010. All reports listed are for the year ended June 30, 2009, unless otherwise indicated. An asterisk * indicates that the report includes audit findings and recommendations.

Agencies and Institutions

Judicial Branch

Indigent Defense Commission for the year ended June 30, 2009*
Virginia Board of Bar Examiners for the year ended June 30, 2009*
Virginia State Bar for the year ended June 30, 2009
Virginia's Judicial System for the year ended June 30, 2009*

Independent Agencies

A. L. Philpott Manufacturing Extension Partnership for the years ended June 30, 2008 and June 30, 2009
State Corporation Commission for the two-year period ended June 30, 2009*
State Lottery Department "Mega Millions" Report on Applying Agreed-Upon Procedures for the period April 1, 2008 through March 31, 2009
State Lottery Department "Win For Life" Report on Applying Agreed-Upon Procedures for the period April 1, 2008 through March 31, 2009
State Lottery Department for the year ended June 30, 2009
Virginia College Savings Plan for the year ended June 30, 2009
Virginia BioTechnology Research Partnership Authority for the year ended June 30, 2009*
Virginia Retirement System for the year ended June 30, 2009*
Virginia Workers' Compensation Commission for the years ended June 30, 2008 and June 30, 2009*

Executive Departments

Office of the Attorney General and the Department of Law for the period ended June 30, 2009
Office of the Governor for the fiscal year ended June 30, 2009
Office of the Lieutenant Governor for the fiscal year ended June 30, 2009
The Governor's Cabinet Secretaries for the year ended June 30, 2009

Administration

Compensation Board for the year ended June 30, 2009*
Division of Selected Agency Support Services for the fiscal year ended June 30, 2009
Virginia War Memorial Foundation for the year ended June 30, 2009*

Agriculture and Forestry

Virginia Department of Agriculture and Consumer Services and the Virginia Agriculture Council
for the year ended June 30, 2009

Commerce and Trade

Department of Housing and Community Development for the year ended June 30, 2009*
Department of Labor and Industry for the years ended June 30, 2008 and June 30, 2009
Department of Professional and Occupational Regulation for the years ended June 30, 2008 and
2009*
Tobacco Indemnification and Community Revitalization Commission for the year ended
June 30, 2009
Virginia Board of Accountancy for the year ended June 30, 2009
Virginia Commercial Space Flight Authority for the year ended June 30, 2009
Virginia Economic Development Partnership for the year ended June 30, 2009
Virginia Employment Commission for the year ended June 30, 2009*
Virginia Racing Commission for the year ended June 30, 2009
Virginia Tourism Authority for the year ended June 30, 2009

Education

Department of Education including Direct Aid to Public Education and Virginia Schools for
Deaf and Blind for the year ended June 30, 2009*
Frontier Culture Museum of Virginia for the fiscal years ended June 30, 2008 and
June 30, 2009*
Gunston Hall for the years ended June 30, 2008 and June 30, 2009
Jamestown-Yorktown Foundation for the years ended June 30, 2008 and June 30, 2009*
Science Museum of Virginia for the years ended June 30, 2008 and June 30, 2009
Virginia Commission for the Arts for the period July 1, 2007 through June 30, 2009
Virginia Community College System for the year ended June 30, 2008*

Colleges and Universities

Christopher Newport University for the year ended June 30, 2009*
College of William and Mary in Virginia for the fiscal year ended June 30, 2009*

Colleges and Universities (continued)

College of William and Mary in Virginia Intercollegiate Athletics Programs for the year ended June 30, 2009
George Mason University for the year ended June 30, 2009
George Mason University Intercollegiate Athletics Programs for the year ended June 30, 2009
James Madison University for the years ended June 30, 2008 and June 30, 2009
James Madison University Intercollegiate Athletics Program for the year ended June 30, 2009
Longwood University for the year ended June 30, 2009*
Longwood University Intercollegiate Athletics Program for the year ended June 30, 2009
Norfolk State University Intercollegiate Athletics Program for the year ended June 30, 2009
Old Dominion University for the year ended June 30, 2009
Old Dominion University Intercollegiate Athletics Program for the year ended June 30, 2009
Radford University for the year ended June 30, 2009*
Radford University Intercollegiate Athletics Program for the year ended June 30, 2009
University of Mary Washington for the year ended June 30, 2009*
University of Virginia for the year ended June 30, 2009*
University of Virginia Intercollegiate Athletics Programs for the year ended June 30, 2009
Virginia Commonwealth University for the year ended June 30, 2009
Virginia Commonwealth University Intercollegiate Athletics Programs for the year ended June 30, 2009
Virginia Military Institute for the fiscal year ended June 30, 2009
Virginia Military Institute Intercollegiate Athletics Programs for the year ended June 30, 2009
Virginia Polytechnic Institute and State University for the year ended June 30, 2009
Virginia Polytechnic Institute and State University Intercollegiate Athletic Programs for the year ended June 30, 2009

Finance

Agencies of the Secretary of Finance for the year ended June 30, 2009*
Internal Control Report on Audit for Local Government Investment Pool, Virginia College Building Authority, Virginia Public Building Authority, and Virginia Public School Authority for the year ended June 30, 2009

Health and Human Resources

Agencies of the Secretary of Health and Human Resources for the year ended June 30, 2009*
Assistive Technology Loan Fund Authority for the year ended June 30, 2009*
Office of Comprehensive Services for At-Risk Youth and Families for the year ended June 30, 2009
Virginia Tobacco Settlement Foundation for the year ended June 30, 2009

Natural Resources

Department of Environmental Quality for the years ended June 30, 2008 and June 30, 2009
Department of Game and Inland Fisheries for the period April 1, 2008 through June 30, 2009*
Department of Historic Resources for the years ended June 30, 2008 and 2009
Potomac River Fisheries Commission for the fiscal year ended June 30, 2009
Rappahannock River Basin Commission for the year ended June 30, 2009

Public Safety

Department of Alcoholic Beverage Control for the year ended June 30, 2009*
Department of Corrections, Virginia Parole Board, and Virginia Correctional Enterprises for the year ended June 30, 2009*
Department of Fire Programs for the year ended June 30, 2009*
Department of Veterans Services and the Veterans Services Foundation for the year ended June 30, 2009*
Virginia Department of Emergency Management for the year ended June 30, 2009
Virginia Department of State Police for the years ended June 30, 2008 and June 30, 2009*

Technology

Innovative Technology Authority, including its Blended Component Unit, Center for Innovative Technology for the year ended June 30, 2009
Virginia Information Technologies Agency for the year ended December 31, 2008*
Wireless E-911 Services Board for the year ended June 30, 2008
Wireless E-911 Services Board for the year ended June 30, 2009*

Transportation

Agencies of the Secretary of Transportation for the year ended June 30, 2009*
Virginia Port Authority for the year ended June 30, 2009

Special Reports

Analysis of Commonwealth Audit Resources and Inspector General Functions, October 2009*
Auditor of Public Accounts—2009 Report to the General Assembly
Commonwealth Information Security Implementation – Semi-Annual Update, November 2009*
Commonwealth of Virginia Court Operations for the year ended June 30, 2008*
Commonwealth of Virginia Single Audit Report for the year ended June 30, 2009*
Department of Criminal Justice Services Special Report on Organizational Structure and Report on Audit for the fiscal year ended June 30, 2009*
Department of Medical Assistance Services—Vulnerability Assessment and Penetration Test as of June 2009*

Special Reports (continued)

Enterprise Data Standards for Human Services, March 2010*

Enterprise Data Standards Progress Report, October 2009*

Follow Up on Deferred Maintenance in the Commonwealth, December 2009*

General Assembly, Legislative Agencies, and Commissions of the Commonwealth of Virginia
Financial Report for the fiscal year ended June 30, 2009

Interim Review of STARS (Statewide Agency Radio Station) Project, November 2009*

Progress Report on Selected Systems Development Projects in the Commonwealth, March 2010*

Report on Collections of Commonwealth Revenues by Local Constitutional Officers for the year
ended June 30, 2009*

Report to the Joint Legislative Audit and Review Commission for the quarter April 1, 2009
through June 30, 2009*

Report to the Joint Legislative Audit and Review Commission for the quarter July 1, 2009 to
September 30, 2009*

Report to the Joint Legislative Audit and Review Commission for the quarter October 1, 2009
through December 31, 2009*

Report to the Joint Legislative Audit and Review Commission for the quarter January 1, 2010
through March 31, 2010*

Revenue Stabilization Fund Calculations for the year ended June 30, 2009

Review of Agency Performance Measures for the year ended June 30, 2009*

Review of Budget and Appropriation Processing Controls for the year ended June 30, 2009*

Review of Budget Transparency, June 2009*

Review of Commonwealth Internal Audit Functions, March 2010*

Review of Compliance with the Federal Payments in Lieu of Taxes Act

Review of Data Collection Process Over Institutional Performance Standards – August 2009*

Review of Service Agency Arrangements, October 2009*

Single Audit Interim Communication for ARRA Programs – Compensation Board,
December 1, 2009

Single Audit Interim Communication for ARRA Programs – Department of Housing and
Community Development, December 1, 2009

Student Housing at Virginia’s State-Supported Universities, November 2009*

Urban Public-Private Partnership Redevelopment Fund and the Virginia Removal or
Rehabilitation of Derelict Structures Fund for the year ended June 30, 2009

The following lists those courts audited during the period July 1, 2009 through June 30, 2010.

Circuit Courts

Accomack	Gloucester	Page
Alexandria	Goochland*	Patrick*
Amelia	Grayson*	Petersburg*
Amherst*	Greene*	Pittsylvania*
Appomattox	Greensville	Portsmouth
Arlington	Halifax*	Powhatan
Augusta	Hampton	Prince Edward
Bath*	Hampton*	Prince William*
Bedford	Hanover	Pulaski*
Bland	Henrico	Radford*
Botetourt	Henry	Rappahannock
Bristol	Henry	Richmond (City)
Brunswick	Highland*	Richmond (City)*
Buchanan	Hopewell*	Richmond*
Buena Vista*	Isle of Wight	Roanoke
Campbell*	James City/Williamsburg	Roanoke (City)*
Caroline*	King George*	Rockbridge
Carroll	King William	Russell*
Charles City*	Lancaster	Scott*
Charlotte	Loudoun*	Shenandoah*
Charlottesville	Louisa*	Smyth
Chesapeake	Lunenburg	Southampton
Chesapeake	Lynchburg*	Spotsylvania*
Chesterfield	Madison	Stafford
Clarke	Martinsville*	Staunton
Craig*	Mathews	Suffolk
Culpeper	Mathews	Surry
Danville*	Mecklenburg	Sussex*
Dickenson*	Middlesex*	Tazewell
Dinwiddie	Montgomery	Virginia Beach*
Essex	Nelson	Warren
Fairfax	New Kent	Washington*
Fauquier	Newport News	Westmoreland*
Floyd	Newport News	Winchester
Franklin	Norfolk*	Wise/Norton
Frederick	Northumberland*	Wythe
Fredericksburg*	Nottoway*	Wythe*
Giles*	Orange	

Circuit Courts-Clerk Turnover Audits

Appomattox	Orange	Smyth
Lynchburg	Rappahannock	Smyth

General Receivers

Alexandria	King George*	Sussex
Arlington	Lee	Washington
Bristol	Loudoun*	Wise/Norton
Buchanan	Lynchburg*	
Charlottesville	Russell	

General District Courts

Accomack*	Isle of Wight*	Prince William*
Albemarle*	James City/Williamsburg*	Pulaski*
Alexandria	King and Queen	Richmond (City) - Civil
Alexandria*	King William	Richmond (City) – Criminal*
Amherst*	Lancaster*	Richmond (City) - Manchester
Appomattox	Loudoun*	Richmond (City) - Traffic
Arlington*	Louisa	Richmond (City) - Civil
Augusta*	Lynchburg*	Richmond (City) - Traffic
Bedford	Martinsville*	Roanoke
Bristol*	Mathews*	Roanoke (City)*
Campbell	Mecklenburg	Rockbridge*
Caroline	Middlesex	Rockingham*
Carroll*	Montgomery*	Shenandoah
Charlottesville*	Nelson	Shenandoah
Chesapeake*	Nelson	Smyth*
Chesterfield*	New Kent*	Spotsylvania
Clarke*	Newport News – Civil	Stafford*
Danville	Newport News - Civil*	Staunton*
Fairfax	Newport News - Criminal	Suffolk*
Fairfax (City)	Newport News – Criminal*	Tazewell
Fauquier*	Newport News - Traffic	Virginia Beach*
Franklin	Newport News*	Warren*
Frederick*	Norfolk	Washington*
Fredericksburg	Norfolk*	Waynesboro
Gloucester*	Northampton*	Westmoreland
Halifax	Northumberland*	Winchester
Hampton*	Page*	Wise/Norton*
Hanover	Petersburg*	York
Henrico	Pittsylvania	
Henry	Portsmouth*	

Juvenile and Domestic Relations Courts

Accomack*	Hanover*	Pittsylvania*
Albemarle*	Henrico*	Portsmouth
Alexandria	Henry*	Prince William*
Amherst*	Isle of Wight*	Pulaski*
Appomattox*	James City/Williamsburg	Richmond (City)*
Arlington	King and Queen	Roanoke
Augusta	King William	Roanoke (City)
Bedford*	Lancaster	Rockbridge
Bristol*	Loudoun*	Rockingham
Campbell	Louisa	Shenandoah
Caroline	Lynchburg*	Shenandoah
Carroll*	Martinsville	Smyth*
Charlotte	Mathews	Spotsylvania*
Charlottesville*	Mecklenburg*	Stafford*
Chesapeake	Middlesex	Staunton
Chesterfield	Montgomery	Suffolk*
Clarke*	Nelson*	Tazewell*
Danville*	New Kent	Virginia Beach*
Fairfax*	Newport News	Warren*
Fauquier*	Newport News*	Washington*
Franklin*	Norfolk	Waynesboro
Frederick	Northampton*	Winchester
Fredericksburg	Northumberland	Wise/Norton*
Gloucester	Page	Wythe*
Halifax	Patrick*	York
Hampton*	Petersburg*	

Combined General District Courts

Amelia	Essex	Lunenburg*
Bath*	Falls Church	Madison*
Botetourt*	Floyd*	Nottaway*
Brunswick*	Fluvanna	Orange*
Buchanan	Franklin*	Powhatan
Buckingham*	Galax	Prince Edward*
Buena Vista	Galax*	Radford*
Charles City	Giles*	Rappahannock
Colonial Heights*	Goochland*	Rappahannock*
Craig*	Grayson*	Richmond
Culpeper	Greene*	Russell
Cumberland*	Greensville*	Salem*
Dickenson	Highland	Scott*
Dinwiddie	Hopewell*	Southampton*
Dinwiddie*	King George	Surry*
Emporia*	Lee*	Sussex*

Fiscal Year 2010 Budgetary Analysis

Appendix B

Analysis of Budgeted and Actual Revenue by Funding Source

<u>Funding Source</u>	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual Revenue</u>
General Fund appropriations	\$10,487,543	\$9,097,631	\$ 9,097,631
Special revenue	<u>869,754</u>	<u>869,754</u>	<u>949,386</u>
Total revenues	<u>\$11,357,297</u>	<u>\$9,967,385</u>	<u>\$10,047,017</u>

Appropriation Adjustments

General Fund	\$10,487,543
Required adjustments	<u>(1,389,912)</u>
Adjusted General Fund appropriation	<u>9,097,631</u>
Special fund	<u>869,754</u>
Total appropriations	<u>\$ 9,967,385</u>

Revenues – Deposits to the General Fund of the Commonwealth

Circuit courts	\$ 266,443
Center for Innovative Technology	30,987
Department of Medical Assistance Services (State portion)	<u>73,176</u>
General Fund total	<u>\$ 370,606</u>

Analysis of Budget versus Actual Expenses by Funding Source

<u>Funding Source</u>	<u>Adjusted Budget</u>	<u>Expenses</u>	<u>Variance</u>
General Fund appropriations	\$ 9,097,631	\$8,887,066	\$ 210,565
Special revenue	<u>869,754</u>	<u>869,754</u>	<u>-</u>
Total	<u>\$ 9,967,385</u>	<u>\$9,756,820</u>	<u>\$ 210,565</u>

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