

2011 Annual Report Summary

This year our audits disclosed embezzlements and improper handling of funds totaling over \$10.4 million. In addition, we recommended process and policy changes for accounts receivables, disbursements and cell phones under which the Commonwealth could avoid costs of nearly \$1 million.

We alerted the administration of the need to address changes in the municipal bond market, monitor grant and cash management at the E-911 Board, improve oversight of the armory capital projects, improve eligibility monitoring at the Virginia Employment Commission, and make sure that efforts to improve information systems remain on track. We also reported on the progress certain agencies (such as VITA, Planning and Budget and Transportation) were making on improving internal controls.

Your requests and statutory charges have directed these and other reviews performed by this office. You can find each report highlighted or referenced within this annual report on our website www.apa.virginia.gov, where you can read a summary of our recommendations on the first page, and then if you want and have time to, peruse the remainder of the report for the context and support behind our observations. The entire Annual Report to the General Assembly is available on our website at the following link: <http://www.apa.virginia.gov/reports/APAAnnualReport11.pdf>.

We hope this information provides you with a greater ability to question management and hold them accountable for their role in maintaining Virginia's status as the best managed state in the country.

If you have any questions or comments, you can contact me directly at: 804-225-3350 or Walter.Kucharski@apa.virginia.gov.

Special Investigations in 2011

Requests for special investigations dominated much of the APA's activities during 2011. From investigating fraudulent behavior at the local and state level to the potential mismanagement of state and federal programs, our reports reveal the critical role internal controls play in ensuring the proper management of the Commonwealth's assets and the agency fully realizing its program missions.

The next few pages provide a brief look into a few of those reports as well as a status update regarding the issues and findings revealed during the audit. Additional details on these and other significant reports are presented in the body of the annual report and are offered as a supplement to what you will find in the next few pages, should you desire to read more.



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Points of Interest

- *Summaries of significant audits and reviews performed in 2011 as well as a status update of the issues and findings*
- *Significant projects planned for 2012*

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Status of Issues and Findings

Since the conclusion of our investigation, the Goochland Circuit Court Judge appointed an interim Treasurer to serve the County and begin to improve the operations of the Office. The interim Treasurer has taken a number of corrective actions in order to improve the control weaknesses identified in our report.

Goochland Treasurer's Office Had No Controls County and School Board Need to Review Controls

On February 3, 2011, the sheriff arrested and charged the Goochland County Treasurer with embezzling county funds. Our office became involved to determine the extent of the fraud as well as review the county's procedures.

During the course of our examination, we identified numerous internal control deficiencies which existed under the management of the outgoing Treasurer. Our report includes over 20 recommendations to improve the Treasurer's Office processes.

While our report identifies internal control issues that the incoming treasurer will need to address, the timeliness and completeness of information to support these efforts will require both the County and School Board to determine if they are

providing accurate and timely information to the Treasurer's Office and that all of the fiscal units are processing transactions in the most economic and efficient manner possible.

Since we did not perform a comprehensive audit of the controls of the County's operations, we noted the County and School Board could benefit from an overall review of internal controls, the procedures for processing transactions, as well as the qualifications and staffing of the department supporting their fiscal operations.

We discussed and provided the incoming Treasurer with a listing of these Internal Control Issues when she took Office. (See Page 1 of our 2011 Annual Report.)

The numerous findings emphasize our overall observation that basic controls and operational processes common to any Treasurer's Office did not exist within this Office.

Commonwealth Cell Phone Study

Virginia spends over \$6 million on over 11,000 wireless telecommunication devices annually. However, it 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 could save hundreds of thousands of dollars in wireless expenses. (See Page 5 of the 2011 Annual Report)

Status of Issues and Findings

In response to this report, in support of Governor McDonnell's emphasis on government reform and savings, VITA contracted with a telecommunications expense management provider to analyze information on actual cellular device usage trends and make recommendations for savings. VITA will fund this contract through the savings identified, implemented and realized.

Unemployment Benefit Overpayments Work Search Criteria Needs to be Reviewed

The U.S. Department of Labor (Labor) estimated the Employment Commission "unemployment benefit overpayment" rate at 14.6 percent for calendar year 2009. Over two-thirds of these estimated overpayments result from questions about the adequacy of the claimant's work search. While the calculation is accurate based on the Employment Commission's requirements, the work search criteria may be outdated, and the systems and funding to improve accuracy may not be available.

Labor, for the same period, also calculated an "operational overpayment" rate of 3.32 percent for the Commonwealth that was lower than all but one of the surrounding states. This rate excludes requirements that are not consistent among states to allow for better comparability. This operational rate indicates that Virginia is detecting and pursuing overpayments at a rate better than most of its peers.

Our report contained a number of recommendations including the potential financial and procedural implications that they will have on the Employment Commission, employers, and claimants. Because the General Assembly has set the repayment of the federal loan for unemployment benefits as a priority, successfully addressing our recommendations will be difficult. (See Page 7 of our 2011 Annual Report.)

Status of Issues and Findings

The Employment Commission has initiated or taken several actions to address issues identified in this report, including revising their work search requirements and increasing staffing in the Benefit Payment Control Unit by four investigators and one administrative staff.

Pittsylvania County Owes the Commonwealth

Mismanagement Identified in the Comprehensive Service Program for At-Risk Youth

In the summer of 2010, the Office of Comprehensive Services (OCS) and the Department of Education (Education) performed a short onsite review of the Pittsylvania County CSA program at the request of the new Community Policy Management Board chair. This review brought to light significant issues that concerned OCS and Education, but were beyond their scope to review. OCS and Education notified our Office of their concerns and requested that we perform a review of Pittsylvania's program and controls.

Our scope included all children (269) who received CSA funding in fiscal years 2009 and 2010. Our population reflected approximately \$19.3 million in state and local funding.

We found the inappropriate use of state and local funds and a significant lack of internal controls over Pittsylvania's program. For example, Pittsylvania inappropriately claimed \$9.3 million in services as eligible for CSA funding, \$7.7 million in state funds and \$1.6 million in local funds. Further, 193 of the 269 children received ineligible services between July 2008 and June 2010.

Additional concerns included the contracting practices within the County as well as the communication, cooperation and coordination between the School Board Office, the Community and Policy Management Board, and the CSA Coordinator.

Impacts from this review extend beyond Pittsylvania County. It also revealed opportunities for enhanced monitoring activities at the state level and improvements to the audit specifications developed by the OCS and distributed by the Auditor of Public Accounts for use by local CPA firms when performing locality annual financial audits.

(See Page 2 of our 2011 Annual Report for additional information.)

Status of Issues and Findings

The Pittsylvania Community Policy Management Board is proceeding through the informal review and negotiation process with the OCS, and ultimately may end up in the formal dispute resolution process with the State Executive Council to determine the amount and timing of repayment of the ineligible \$7.7 million in state funds.

The OCS has worked to improve guidance over the Comprehensive Services Act program provided to CPA firms by refining the 2011 audit specifications provided to our office and scheduling training for the local CPA firms in several locations throughout the state.

The General Assembly enhanced legislation surrounding the CSA program by expanding the OCS's ability to deny payment to localities for services that not only do not comply with the Comprehensive Service Act but also do not comply with any other state law or policy or any federal law pertaining to CSA services.

Due to an increased awareness surrounding this program, local auditors have found similar issues in at least three other localities since we released this report.

Our 2011 Annual Report to the General Assembly is available on our website in its entirety at the following link:
<http://www.apa.virginia.gov/reports/APAAnnualReport11.pdf>



What is the CSA?

The passage of the Comprehensive Services Act (CSA) by the 1992 Virginia General Assembly was in part a response to concerns about the increasing cost of residential treatment for at-risk children. In addition to being costly, the treatment often proved to be ineffective when the children returned home because their home and community environments remained the same. Children receiving residential treatment also tended to require services from two or more state agencies. Thus, the intent of the Comprehensive Services Act was to create a child centered, family focused, and community-based system to assist troubled and at-risk youths and their families in the least restrictive environment by managing funds at the local level. The Act was supposed to provide flexibility to local communities in using CSA funds and in making decisions about the services needed by the children and families within those communities.

Complex eligibility and allowability regulations govern the program and dramatically increase the risk for misuse.

Other Office Activities

- *Supporting Commonwealth Data Point, an online resource showing where and how Virginia spends its funds.*
- *Supplying technology related vulnerability and penetration testing when requested.*
- *Monitoring major IT projects and contracts.*
- *Investigating and resolving fraud cases.*
- *Reviewing locality state accounts annually.*
- *Auditing the judicial branch at the state and local level.*
- *Providing oversight for local government audits performed by public accounting firms.*

Pending Changes in Government Reporting

Going where we have never been . . . Are we ready?

The governmental financial reporting landscape is changing. Citizens, federal and state legislatures, and investors all have called on state and local governments to provide additional and more timely financial information concerning government activities. You only need to look at regulations the federal government has passed or proposed in recent years to gain perspective on the breadth of changes coming.

The Dodd-Frank Act requires studies of the municipal securities market and of the role and importance of the Governmental Accounting Standards Board. And there are more.

Because of these regulations, the Commonwealth has already made changes to the Commonwealth's

existing financial systems and processes. However, the proposed regulations and studies have the potential to require further extensive changes in the future.

Are we ready in Virginia? It takes time to implement changes such as replacing outdated financial systems and reengineering financial processes. While the Commonwealth is taking steps in the right direction to modernize its financial systems, it still has work to do. In addition, while a modern financial system will provide some of the flexibility and technology needed to address future reporting requirements, the Commonwealth will need to implement additional changes to its financial reporting processes to meet all of the pending demands. (See Page 4 of our 2011 Annual Report.)

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

Our Staff Make the Difference

From CPA's to CISA's, our staff hold over twenty different types of professional certifications and are actively involved in relevant local and national professional organizations such as the National Association of State Auditors, Comptrollers, and Treasurers.

During 2011, our organization of 103 auditors, technology and support staff:

- Issued 14 state wide reports
- Audited 105 state agencies/ institutions, issuing findings for 46 of them
- Reviewed 210 General, Juvenile & Domestic Relations and Combined District Courts, issuing findings for 67 of them
- Reviewed 100 Circuit Courts, issuing findings for 47 of them
- Reviewed 132 Local Constitutional Officers, issuing 45 findings

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Other Special Studies Find Similar Results

Internal Controls Can Protect the Commonwealth

The reviews highlighted here provide just a sample of the concerns revealed during our audits performed over the last year. In "Section 1" of our 2011 Report to the General Assembly, we provide more details regarding these reviews and summarize several more of the more significant reviews we performed this year, including:

- **Virginia Commonwealth Challenge Program – Mismanagement Places Federal funds at Risk** (See Page 8 of our 2011 Annual Report.)
- **Armory Financial Management – Insufficient Fiscal Oversight Enabled Fraud to Continue** (See Page 9 of our 2011 Annual Report.)
- **VITA and the Northrup Grumman Partnership – Addressing Issues in Prior Audits, but Still Facing Issues** (See Page 10 of our 2011 Annual Report.)
- **E-911 Board May Face Cash Flow Problems – and Other Issues in the Coming Year** (See Page 11 of our 2011 Annual Report.)
- **Commonwealth Information Security Program – Agencies Continue to Show Improvements** (See Page 12 of our 2011 Annual Report.)
- **Transportation's Asset Management System – Infrastructure Maintenance Funding Could Benefit from This Information** (See Page 14 of our 2011 Annual Report.)
- **Accounts Receivables and Disbursement Processes – Reports Recommend Opportunities for Savings** (See Page 15 of our 2011 Annual Report.)
- **Virginia Gas and Oil Board – Opportunities Exist to Improve Escrow Accounting** (See Page 17 of our 2011 Annual Report.)
- **Agency Performance Measures and Operations Budgets – Room for Improvement Remains for Both** (See Page 18 of our 2011 Annual Report.)
- **Commonwealth Data Point – Review of Transparency Best Practices** (See Page 20 of our 2011 Annual Report.)

APA 2011 Report to the General Assembly

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Section 1: Highlights from Significant Reviews

The following section provides a greater level of detail regarding the audits highlighted in the 2011 Report to the General Assembly Summary as well as information on some of the other more significant audits the Auditor of Public Accounts completed this year.

Goochland Treasurer's Office Had No Controls County and School Board Need to Review Controls

On February 3, 2011, the sheriff arrested and charged the Goochland County Treasurer with embezzling county funds. The Treasurer confessed at the time to the theft of \$135,000. The Auditor of Public Accounts became involved to determine the extent of the fraud, provide a turnover audit for the Treasurer's Office, as well as review the Treasurer Office's procedures regarding the administration of their funds.

During the course of our examination, we identified over 20 deficiencies in internal control processes existing under the management of the outgoing Treasurer. The lack of internal controls and the actions of the outgoing Treasurer make it unlikely that we identified all of the errors, reconciling items and other adjustments necessary to accurately determine all of the assets and liabilities that the incoming Treasurer will assume, especially for the county's Operating Account. However, we were able to gather evidence that supports the total county funds embezzled by the outgoing Treasurer's theft to be closer to \$180,000.

The numerous findings emphasize our overall observation that basic controls and operational processes common to a Treasurer's Office did not exist within this Office.

The numerous findings emphasize our overall observation that basic controls and operational processes common to a Treasurer's Office did not exist within this Office. Weaknesses were observed in, but not limited to, the following areas:

- Qualifications, training and cross training of staff
- Quality of daily and monthly reconciliations
- Timeliness of general ledger entries
- Segregation of duties
- Management of bank accounts and checks

In the report we list the issues, in order of their risk to the operation of the Treasurer's Office and the County, and provide greater detail on the ramifications of these weaknesses.

Although we did not perform a comprehensive audit of the controls of the County's entire operations we did note that the County and School Board could benefit from an overall review of their internal controls, the use of their financial systems, procedures for processing transactions, as well as the qualifications and staffing of the department supporting their fiscal operations. We also noted that completion of such a review would enhance the remediation efforts of the incoming Treasurer.

In our report, we further discussed that as the new Treasurer reviews and enhances the controls and processes within that Office there will be opportunities to improve controls, processes and efficiencies elsewhere within the County and School Board's operations.

See the following link for more details: <http://www.apa.virginia.gov/reports/GoochlandTTO2010.pdf>

Status of Issues and Findings

Since the conclusion of our investigation, the Goochland Circuit Court Judge appointed an interim Treasurer to serve the County and begin to improve the operations of the Office. We discussed with and provided the incoming Treasurer a listing of the internal control issues when she took Office. To date, the Treasurer has focused on improving the training and education of the deputies and begun to deal with some of the more critical control weaknesses such as bank reconciliations, segregation of duties, daily cash, check, and credit card reconciliations, and physical and logical security.

The former Treasurer plead guilty to 18 counts of embezzlement, one count of attempted embezzlement, and one count of money laundering, at her August 2011 arraignment. We issued our report on the results of the fraud investigation the following week which details the schemes used by the Treasurer to embezzle County funds totaling more than \$180,000.

Pittsylvania County Owes the Commonwealth Mismanagement Identified in the Comprehensive Services Program

The Comprehensive Services Act (CSA) provides funding to localities to assist troubled and at-risk youths and their families in the least restrictive environment possible. These are children with emotional or behavior problems, with special education needs, or with disabilities that require them to be placed in a private school setting, residential program, or foster care for them to obtain their education. There are complex eligibility and allowability regulations that govern the program and create significant risk for misuse.

In the summer of 2010, the Office of Comprehensive Services (OCS) and the Department of Education (Education) performed a short onsite review of the Pittsylvania County CSA program at the request of the new Community Policy Management Board chair. This review brought to light significant issues that concerned OCS and Education, but were beyond their scope to review. OCS and Education notified the Auditor of Public Accounts of their concerns and requested that we perform a review of Pittsylvania's program and its controls.

Our scope included all children who received CSA funding in fiscal years 2009 and 2010, which totaled 269 students. Our population reflected approximately \$19.3 million in state and local funding with the Commonwealth providing the majority of this funding.

We found the inappropriate use of state funds and a significant lack of internal controls over the Comprehensive Services Act in Pittsylvania County. Specifically we found the following issues.

We found the inappropriate use of state funds and a significant lack of internal controls over the Comprehensive Services Act in Pittsylvania County.

- Overall, Pittsylvania County does not have adequate policies, procedures, and controls over the CSA program. There is also a lack of communication and coordination between the

School Board Office, the Community and Policy Management Board, and the CSA Coordinator.

- Pittsylvania County may owe the Commonwealth \$7.7 million because they received reimbursement for ineligible students and services under the CSA program.
- Pittsylvania County Schools and Pittsylvania County's Social Services Department do not have adequate policies, procedures, and controls in place to properly contract with CSA service providers. Between the two entities, they spent \$14.5 million and \$165,000, respectively, without written agreements with the service providers.
- Although Pittsylvania County's CSA expenses are inappropriate, the data reported to the Department of Education related to student counts for CSA are appropriate.
- The complexity of the CSA program increases the risk of misuse.

The Auditor of Public Accounts performed the review of the CSA program in Pittsylvania County at the request of the Office of Comprehensive Services and the Department of Education. Based on this review, we recommended the following actions be taken:

- The Pittsylvania County Administrator should work with the OCS to determine how to return the \$7.7 million in state funds to the Commonwealth.
- Pittsylvania County School Board and the Board of Supervisors should conduct internal reviews of their respective operations and implement appropriate internal controls to oversee their respective portions of the CSA program.
- Pittsylvania County School Board Office should work with the Community and Policy Management Board and the CSA Coordinator to develop and implement adequate policies, procedures, and controls over the fiscal and administrative aspects of the CSA program, including proper controls over the procurement and contracting for services.
- The Office of Comprehensive Services, in collaboration with the Departments of Education, Social Services, and Medical Assistance Services, should provide background and guidance to the CPA firms with the audit specifications that will assist the firms in understanding the program. In addition, during the annual update of the audit specifications, OCS should develop "hot topics" or "current issues" surrounding the program and service eligibility that the local CPA firms should be aware of during their audit work.

See the following link for more details: http://www.apa.virginia.gov/reports/CSA_SR2010.pdf

Status of Issues and Findings

The Pittsylvania Community Policy Management Board is proceeding through the informal review and negotiation process with the Office of Comprehensive Services, and ultimately may end up in the formal dispute resolution process with the State Executive Council to determine the amount and timing of repayment of the ineligible \$7.7 million. Because the resolution process is still ongoing, we have not been in contact with the

Pittsylvania County School Board, Board of Supervisors or Community Policy Management Board to determine their efforts to correct the other issues identified.

The Office of Comprehensive Services has worked to improve guidance over the Comprehensive Services Act program provided to CPA firms by refining the 2011 audit specifications provided to our office and scheduling training for local CPA firms in several locations throughout the state.

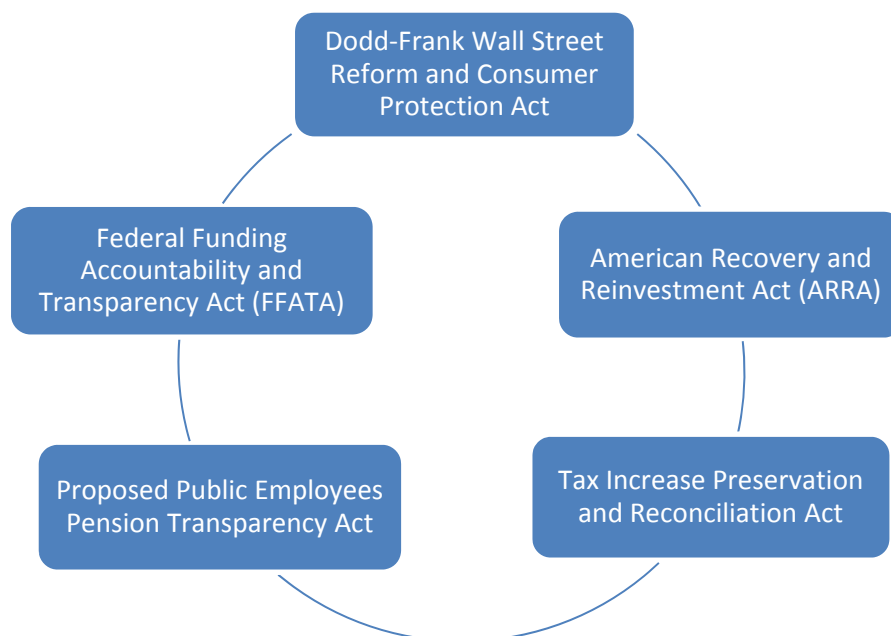
The General Assembly enhanced legislation surrounding the CSA program by expanding the Office of Comprehensive Services ability to deny payment to localities for services that not only do not comply with the Comprehensive Service Act but also do not comply with any other state law or policy or any federal law pertaining to CSA services.

Due to an increased awareness surrounding this program, local auditors have found similar issues in at least three other localities since we issued this report.

Pending Changes in Government Financial Reporting

The future may take us where we have never been . . . Are we ready?

The governmental financial reporting landscape is changing. Citizens, federal and state legislatures, and investors all have called on state and local governments to provide additional and more timely financial information concerning government financial activities. You only need to take a look at regulations that the federal government has passed or proposed in recent years to get a perspective on the breadth of changes that are coming our way.



The Dodd-Frank Act requires studies of the municipal securities market and of the role and importance of the Governmental Accounting Standards Board. The Tax Increase Prevention and Reconciliation Act requires

governments to withhold three percent of their payments for many goods and services and remit the withheld amount to the federal government. Further, the ARRA and FFATA require additional disclosures on how the Commonwealth spends funds it receives from the federal government. Because of these regulations, the Commonwealth has already made changes to the Commonwealth's existing financial systems and processes. Further, the proposed regulations and studies have the potential to require extensive changes in the future.

Are we ready in Virginia? We all recognize that it takes time to implement such changes as replacing outdated financial systems and reengineering our financial processes. While the Commonwealth is taking steps in the right direction in modernizing its financial systems as we state in this report, it still has work to do in this area. In addition, while a modern financial system will provide some of the flexibility and technology needed to address future reporting requirements, the Commonwealth needs to implement additional changes to its financial reporting processes to meet these demands. In this report we provide a status on the Commonwealth's efforts to modernize its financial systems and processes.

See the following link for more details: www.apa.state.va.us/reports/AgenciesSecofFinance2010.pdf

Status of Issues and Findings

The Commonwealth continues to make progress towards implementation of the Cardinal system, which will initially replace the Virginia Department of Transportation's (Transportation) financial system, and ultimately the Commonwealth's, with a modern, enterprise-wide financial system. However, since we issued our report, the Cardinal steering committee has delayed Transportation's go-live date from July 2011, to October 2011, and most recently to December 2011. Plans remain intact for the Department of Accounts (Accounts) to go-live on or after July 2012, with an incremental role out to all state agencies over the next several years as funding is available.

Progress also continues to be made relative to the Commonwealth's Data Standards project. Accounts and Transportation have substantially completed the development of chart of account field values. In addition, Transportation and the Department of Human Resource Management have completed the interface between Cardinal and the Commonwealth's human resource systems. Accounts and the Department of General Services also have developed vendor standards for the Commonwealth. However, Transportation and Accounts have not implemented the interface that will allow Cardinal or the Commonwealth's current financial system to use eVA's (the Commonwealth's procurement system) vendor tables due to enhancements that General Services is implementing in eVA. Transportation and Accounts plan to implement the interface once General Services completes its enhancements to eVA.

Commonwealth Cell Phone Study

Potential Savings in Wireless Expenses

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.

During our review we determined the Commonwealth lacks tools to analyze telecommunication usage and costs effectively. Based on our analysis, 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, including:

- Phones with no usage for the entire month
- Phones that went over their allotted plan minutes or have excessive roaming charges
- Phones with high cost plans

Northrop Grumman initially assumed responsibility for providing and maintaining statewide contracts with wireless telecommunication vendors under its partnership with the Commonwealth. However, in 2008, the Commonwealth determined that Northrop Grumman's pricing for new cellular contracts was higher than the existing state contracts. As a cost saving measure the Virginia Information Technologies Agency (VITA) took back the responsibility to solicit new cellular contracts that Northrop Grumman would utilize in providing telecommunication services.

VITA and Northrop Grumman are in the process of transitioning all state agencies from the old 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.

With improved management and oversight, the Commonwealth has the potential to save hundreds of thousands of dollars in wireless expenses.

To address these and other concerns highlighted in the report, we recommended the following:

- 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. The guidelines should address areas of assigning, evaluating need, safeguarding, monitoring, and using telecommunication devices.
- VITA should develop and document a strategic plan for centralizing telecommunication management and develop a performance plan to ensure that Northrop Grumman fulfills its telecommunication responsibilities.
- VITA should research and develop effective tools that agencies can use to evaluate usage and costs and make informed decisions.
- Agencies need to determine the most cost effective telecommunication plan combinations for the agency as a whole and the users individually. VITA should provide guidance to agencies to assist with identifying cost effective solutions.

See the following link for more details: <http://www.apa.virginia.gov/reports/CellPhoneRpt2010.pdf>

Status of Issues and Findings

In response to this report and in support of Governor McDonnell's emphasis on government reform and savings, VITA contracted with a telecommunications expense management provider to analyze information on actual cellular device usage trends and make recommendations for savings. VITA will fund this contract through the savings identified, implemented and realized.

Commonwealth Unemployment Benefit Overpayments

Work Search Criteria Needs to Be Reviewed

We received a legislative request in February 2010 to analyze overpayment activity at the Virginia Employment Commission (Employment Commission) to determine the amount of overpayments attributable to administrative errors. We were also asked to determine what issues contribute to the administrative errors such as software, lack of training, or improper supervision.

The U.S. Department of Labor estimated the Employment Commission unemployment benefit overpayment rate at 14.6 percent for calendar year 2009. Over two-thirds of these estimated overpayments result from questions about the adequacy of the claimant's work search. While the calculation is accurate based on the Employment Commission's requirements, the work search criteria may be outdated, and the systems and funding to improve accuracy may not be available.

The U.S. Department of Labor, for the same period, also calculated an operational overpayment rate of 3.32 percent for the Commonwealth that was lower than all but one of the surrounding states. The operational rate excludes requirements that are not consistent among states to allow for better comparability. This operational rate indicates that Virginia is detecting and pursuing overpayments at a rate better than most of its peers.

Reducing overpayments will require a combination of new systems, personnel, and more timely and accurate information from both claimants and employers. Limitations on funding, repayment of the Trust Fund loan to the federal government, and not adversely increasing administrative costs for employers will all significantly affect the Employment Commission's ability to address overpayments.

Our report contained a number of recommendations including the potential financial and procedural implications that these recommendations will have on the Employment Commission, employers, and claimants. Because the General Assembly has set the repayment of the federal loan for unemployment benefits as a priority, successfully addressing those recommendations will be difficult.

See the following link for more details: <http://www.apa.virginia.gov/reports/VECOverpayments10.pdf>

Status of Issues and Findings

The Employment Commission has taken several actions to address issues identified in this report.

- *Effective February 2011, the Employment Commission changed its work search policy to allow claimants to use telephone contact for job search. The revised weekly work search requirements allow claimants to contact employers in person or over the telephone, or they can send resumes or applications through the Internet or fax.*
- *The Employment Commission increased staffing in the Benefit Payment Control Unit by four investigators and one administrative staff. These employees were hired to assist with investigations and provide support for the Unit, along with some other functions. With the staffing increase, the backlog of cases for review for potential overpayments has decreased.*
- *The Benefit Payment Control Unit is in the process of updating their policies and procedures and expects to complete this by September 2011.*

Virginia Commonwealth Challenge Program

Mismanagement Places Federal Funds at Risk

During the course of our regular audit of the Department of Military Affairs (Military Affairs), we received an inquiry concerning the potential mishandling of public funds by an employee at the Virginia Commonwealth Challenge Program (Challenge Program), housed at Camp Pendleton in Virginia Beach. As a result and as a part of an ongoing State Police investigation, we reviewed transactions over a three year period and found approximately \$120,000 in questionable transactions involving a combination of state, federal, and private funds.

The loss of funds resulted from a lack of internal controls, inadequate supervisory oversight, and a lack of segregation of duties.

The loss of funds resulted from a lack of internal controls, inadequate supervisory oversight, and a lack of segregation of duties. The Challenge Program employee had complete access to the petty cash account as well as some other private funds with no effective supervisory oversight. Consequently, the employee had the opportunity to write checks, make deposits, and control the bank account, until Military Affairs' management reassigned these responsibilities.

Further, we found the Challenge Program admitted students to the program who were ineligible to participate. Federal regulations state that only students who are dropouts can participate in the program. In our sample of 40 students, we found 34 students or 85 percent were still attending school when they were accepted into the program. The number of ineligible students and the matter discussed above place all of the federal program costs of \$2,560,525 for fiscal year 2010 at risk.

Beyond the concerns raised with the Challenge Program, we provided additional recommendations in this report regarding other operational areas within Military Affairs, including weaknesses within their small purchase charge card program administration and inventory management.

See the following link for more details: <http://www.apa.virginia.gov/reports/DMA2010.pdf>

Status of Issues and Findings

Military Affairs management reassigned responsibility for the Challenge Program petty cash account in December 2010 to the Finance Office at Fort Pickett. They have distributed the various duties and responsibilities for the account among three different staff in the Finance Office to allow for segregation of duties.

Further, Challenge Program management has revised the eligibility process for students in the Challenge Program beginning with the class admitted in January 2011. The revised process requires that students withdraw from high school before they can enter the Challenge Program to improve compliance with federal eligibility requirements.

To improve their small purchase charge card program, Military Affairs has reassigned Program Administrator responsibilities for the small purchase charge card. In addition, Military Affairs has evaluated cardholder activity and reduced monthly credit limits for eight cardholders and canceled one cardholder's account.

In response to concerns regarding the accuracy of their inventory records, Military Affairs Finance staff conducted a physical inventory in June 2010 and are in the process of updating the Fixed Asset and Accounting System. They anticipate having all information updated by January 2012 and plan to conduct another physical inventory in May 2012.

Armory Financial Management Insufficient Fiscal Oversight Enabled Fraud to Continue

After the concerns cited above regarding the Commonwealth Challenge Program, Military Affairs notified us in January 2011 of a potential fraud involving a custodian at the National Guard Armory in Big Stone Gap, Virginia, who received payment of wages for over ten months after the closing of the armory. We found significant internal control weaknesses and a lack of financial oversight of the management of armories.

We again worked with the Virginia State Police in investigating this fraud and included not only a review of the payroll issues, but examined how Military Affairs' staff oversee the fiscal operations of the armories. Our review revealed that operational personnel generally did not receive information that may have allowed them to detect this loss, and that clear lines of responsibility for who must authorize, approve and verify financial information for the armories did not exist.

Our review highlighted the need for Military Affairs' management to review the information that various operating units need to share with central management and determine if the units have the financial information they need to manage their operations. The review also revealed that when management makes decisions affecting operations, all units need to have a system of notification and verification to ensure the affected units have received the information and can act accordingly.

Looking forward, Military Affairs will receive approximately \$9.3 million in fiscal year 2012 for armory improvements. These funds will be a combination of bond financing, federal funds, and special revenue funds. Military Affairs will need to ensure they have adequate internal controls in place to properly manage these funds.

As with the other Military Affairs report, this report includes a more detailed discussion of our review of armory financial operations and our findings and recommendations. Some of the recommendations are the result of additional audit work, which bears on the need for management to conduct some overall reviews of their internal control systems.

During the course of our review, as we discussed the issues highlighted above with Military Affairs staff, they took steps to begin addressing the issues in the report. Their response at the end of our published report details their specific actions.

See the following link for more details: http://www.apa.virginia.gov/reports/DMA_March2011.pdf

Status of Issues and Findings

To address these concerns, Military Affairs management has hired two additional regional managers and reorganized and reassigned responsibilities for managing the armories. In addition, monthly financial reports are now generated and reviewed by armory managers. Finally, Military Affairs also has revised procedures over timesheet processing for armory part time employees and conducted an inventory of armory equipment.

VITA and the Northrup Grumman Partnership

Addressing Issues in Prior Audits, but Still Facing Issues

On March 31, 2010, VITA and Northrop Grumman signed Amendment 60 to their Comprehensive Infrastructure Agreement (CIA). This amendment established the adjusted baseline quantities of statewide resource unit usage and the corresponding Northrop Grumman prices per unit of usage, otherwise known as the contract adjusted baseline. The amendment also adjusted the contractual spending cap, corresponding to the adjusted baseline, to \$234.2 million annually for the next nine years. While set, it is possible for the Commonwealth to exceed this spending cap through the acquisition of additional services above the baseline or outside the scope of the CIA.

Our prior audits included a number of findings and recommendations concerning contract deliverables, inventory and billing accuracy, billing and collection procedures, and the development of a cost allocation plan which includes imputed revenues. We found, during the course of this audit, that VITA has made significant progress in resolving these findings. A complete summary of prior audit findings and recommendations with a summary of the resolution of each is in Appendix A of the report.

Although VITA made significant progress on a number of our prior findings, there are certain issues which continue to linger, even after the contract rebase-lining.

While both Northrop Grumman and VITA have contractually agreed to the Commonwealth-wide inventory values, we found Northrop Grumman continues to inaccurately report to VITA the inventory allocations between agencies.

Also, while VITA has a dispute resolution process to resolve these inventory discrepancies and any other billing discrepancies identified by customer agencies, we found VITA and Northrop Grumman do not resolve those disputes timely. We found some disputes took more than two years to resolve.

Managerial concerns continue to put VITA's cash flow at risk. Failure to address these issues could lead to over or under-recovery depending on the ebb and flow of inventory quantities across the state.

Finally, we found an underlying risk exists in the current Cost Allocation Plan to recover IT infrastructure costs from customer agencies. An important contractual factor, known as reduced resource credits and additional resource charges, are not factors in the existing rate structure. While not an immediate threat to VITA's cash flow, not factoring these variables in could potentially lead to over or under-recovery depending upon the ebb and flow of inventory quantities across the state.

See the following link for more details: http://www.apa.virginia.gov/reports/VITA_2010.pdf

Status of Issues and Findings

VITA has taken steps already and plans to complete their remaining corrective actions before the end of calendar year 2011 to address the findings we identified in our report. Specifically:

- VITA and Northrop Grumman are working through an intensive inventory validation and verification process through the use of site visits, real-time electronic surveys, and referrals from customer billing disputes to continually improve the quality and accuracy of the Commonwealth IT infrastructure inventory.
- VITA is also working with Northrop Grumman to set a specific time-frame expectation for resolving customer disputes in order to improve accountability over and the timeliness of the dispute resolution process.
- Finally, VITA is developing a model to calculate total expenses associated with base charges that also considers the potential impact of additional resource charges and reduced resource credits. As a result, VITA plans to present a revised rate structure to JLARC later this year for approval.

E-911 Board May Face Cash Flow Problems and Other Issues in the Coming Year

Our review found that the Wireless E-911 Services Board (Board) awarded \$15.6 million in grants to Virginia Public Safety Answering Points (PSAP) for fiscal year 2010 which, in combination with normal fund expenses, will deplete most of the Board's available cash and projected revenues over the next fiscal year. Further, we determined the Board had \$10.3 million in outstanding PSAP grant awards at fiscal year-end 2010, with only \$11.3 million of cash on hand. Our analysis of fiscal year 2011 revenues, expenses, and outstanding grant commitments, both actual and projected, revealed that the Board has grant commitments and uncertain vendor contingencies (due to a lapsed contract) for the next fiscal year.

We recommended that the Board and management employ stricter cash management practices to ensure that the timing of grant payments and other expenses does not create a cash flow problem in the future. We also recommended the Board and management consider reducing the PSAP awards in upcoming years, or use other alternatives to reserve a contingency in the event the Board becomes obligated to pay for 2010 vendor services which it neglected to pay in fiscal year 2010.

We also found that management did not validate call and expense data submitted by PSAPs, which management uses to allocate available funding for PSAPs across the state. As a result, the City of Portsmouth may have received more than \$900,000 in excess funding for fiscal year 2010. We also identified a number of other significant variances in call and expense data submitted by PSAPs which we found no evidence to explain.

We recommended that the Board direct management to employ formal data validation procedures to deter the potential for misstated PSAP call and expense data. The use of inaccurate PSAP data caused the Board to overpay at least one PSAP. Given the potential cash flow issues, management must employ stricter data quality controls to ensure that this does not happen again in the future.

See the following link for more details: http://www.apa.virginia.gov/reports/WirelessE911_10.pdf

Status of Issues and Findings

After the conclusion of our audit, the E-911 Board negotiated a resolution to their vendor dispute at a cost of half of the expected liability. This resolution improves the projected financial position of the Board; however, the Board also has implemented a Finance Committee that will approve policies for additional actions to improve cash management practices.

Finally, Management is in the early stages of implementing formal data validation procedures for the data from the PSAPs used to allocate the E-911 funds across all localities. The formal process should be in place in March, 2012.

Commonwealth Information Security Program Agencies Continue to Show Improvements

Information security in the Commonwealth continues to face challenges as a result of difficult economic times and cuts in resources. Our office issues a status report regarding the health of the Commonwealth's Information Security Program in the fall and spring of each work plan year based on the audit findings reported for each agency during each period. While many agencies and institutions need to make improvements to their security programs, we did not find any agencies or institutions during these reviews that had not made some effort to address information security. The following provides highlights from each status report.

While many agencies and institutions need to make improvements to their security programs, we did not find any agencies or institutions during these reviews that had not made some effort to address information security.

Fall 2010 Observations

The audit findings reported during this period highlighted that it is critical that agencies and institutions put forth the necessary effort and resources to build a risk management approach to identify the fundamental safeguards that are right for their business environment. Without using a risk management approach, agencies and institutions will risk having too little (or too much) security controls. The result is a program that either does not sufficiently protect data or costs too much.

Further, during our information security reviews this past year, we continue to see some agencies electing to maintain, at their own expense, local server rooms for the IT Partnership's servers. Without an adequate analysis of the costs involved to maintain physical and environmental security standards, room access administration, electricity, etc., agencies are not able to evaluate the true cost of keeping the IT Partnership's servers locally in the agency's building. As a result VITA is developing a process and template to assist in determining this cost, which is expected to be available in February 2011.

See the following link for more details: http://www.apa.virginia.gov/reports/SWR_IS-2010.pdf

Spring 2011 Observations

Based on our reviews, overall, agencies and institutions of higher education have adequate information security programs to safeguard confidential and mission critical data. While some agencies need to improve or update their programs to more accurately align with information security standards or to better reflect their current IT environments, only four agencies (3 percent) have inadequate programs where their programs are either out-of-date and not effective, or are missing important sections required by the information security standards.

The remaining 111 agencies (97 percent) have implemented adequate information security programs that follow industry best practices or the Commonwealth's Security Standard SEC 501. While this number by itself is encouraging, we found during the course of our audits that 43 of the 111 agencies (39 percent) need to improve certain sections of their programs in order to fully comply with current best practices and standards.

The most predominant information security issue facing the Commonwealth remains employee computer access controls, followed closely by risk management and contingency plans. Twenty-four (21 percent) of 115 agencies and institutions do not have employee computer access controls that meet the Commonwealth's standards or industry best practice. Twenty-seven (23 percent) do not have risk management or contingency plans that comply with the standards or industry best practice.

The Commonwealth is adequately reviewing and updating the Information Security Standard to ensure compliance with nationally recognized information security standards. The Secretary of Technology on April 4, 2011 approved the last revision of the Commonwealth's information security standard.

See the following link for more details: http://www.apa.virginia.gov/reports/SWR_IS-2011.pdf

Status of Issues and Findings

Overall, agencies have improved in using a risk management approach to safeguard sensitive data. As reflected in our spring 2011 review, we found a decrease in agencies with inadequate IT risk management plans. These plans include business impact analyses (BIA) and risk assessments (RA), which are the foundations to developing a functional agency contingency plan and overall information security program.

The 2011 Appropriation Act provides supplemental funds to assist agencies in paying for their IT services. To receive the supplemental funds, agencies are required to implement a Comprehensive Information Technology Assessment (CITA) to help control their IT costs and improve productivity. As part of agencies' CITA, due this fall, VITA requested agencies to consider the costs of maintaining the IT Infrastructure Partnership's servers in local server rooms versus moving the servers to the CESC data center. VITA is assisting agencies in developing a rough cost estimate for each scenario.

Transportation's Asset Management System Infrastructure Maintenance Funding Could Benefit from This Information

The Department of Transportation's (Transportation) Asset Management System (AMS) is capable of providing an accurate, independent, consistent assessment of the state'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 then 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 districts' planned maintenance activities move Transportation towards meeting its performance measures and targets.

Transportation should continue to use system information to determine maintenance funding levels and then distribute those funds among the districts based on needs determined by AMS.

Analysis of asset condition assessments provides an accurate picture of total funds needed to meet the Commonwealth's highway system maintenance needs every year. Transportation uses average cost data from its Transport system, a database of historical infrastructure construction and maintenance cost, to determine the cost of maintenance needed based on Transportation's established performance goals. Transportation presents this information to the General Assembly to support the request for maintenance funding. Transportation submits a final decision of maintenance funding for a given year and the allocation to each of Transportation's nine districts to the Commonwealth Transportation Board for approval.

Transportation uses AMS to capture condition assessment data for 100 percent of bridges, interstate and primary pavements, 25 percent of secondary pavements, and various other assets. Once Transportation loads condition assessment data into AMS, the system uses matrices and decision trees to analyze the data and determine the required maintenance activity; (1) Do Nothing, (2) Perform Corrective Maintenance, (3) Perform Preventive Maintenance, or (4) Perform Restorative Maintenance.

Each district's Pavement and Bridge Engineers receive data from AMS. Each district plans and budgets its maintenance activities. Transportation does not reconcile the AMS proposed maintenance activity to actual maintenance activities performed. The data collection process begins again, as Transportation completes condition assessments on Virginia's roadways the next year.

See the following link: <http://www.apa.virginia.gov/reports/SpecialReviewAssetManagement.pdf>

Status of Issues and Findings

Transportation is progressively improving its maintenance and operations program allocation. In developing the fiscal year 2010 allocation, Transportation discontinued the practice of not allowing a district's allocation to drop below its previous year's allocation and distributed the funding based on the need identified in AMS. In

developing the fiscal year 2011 and 2012 allocations, Transportation distributed funds to meet specific performance targets based on AMS identified need.

Due to changes in business needs and advances in technology, Transportation is replacing the current in-house developed Asset Management System. Our office will follow the development of this new system, and through our Phase II Asset Management System project, we will strive to ensure the new system has the required capabilities.

Accounts Receivables and Disbursement Processes

Reports Recommend Opportunities for Savings

Accounts Receivable

This review addressed receivables reported as of June 30, 2009, and June 30, 2010, and the best practices used to collect those receivables. This report did not include amounts due to the Department of Taxation and unpaid fines and costs owed to the Virginia Courts or the processes used to collect those receivables. During each fiscal year, the Commonwealth of Virginia had account receivables 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.

Through our review, we identified six general best practices that agencies can utilize in order to manage better 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 receivables.

In response to the Accounts Receivable reports issued over the last two years, the Department of Accounts' primary focus has been improving accounts receivable reporting instructions available to state agencies.

We recommended that the Commonwealth 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 collection agencies, the Division of Debt Collection, and the debt set-off program. Additionally, the review highlights the need for the Commonwealth to determine if it is cost efficient to have multiple collection service contracts or whether state agencies should operate from one contract. We further noted that agencies having an accounts receivable administration process should have individuals properly trained in the Commonwealth's policies and procedures and updated on industry best practices. Lastly, the Comptroller should determine if the Treasury Offset Program would be beneficial for the Commonwealth. This would require a joint effort between the Comptroller and the Department of Taxation since there would be costs associated with implementing and participating in the program.

This report was the second of a two part report. The interim report issued in May 2009 identified that, of the agencies reviewed, most amounts due and collected by the Commonwealth are part of agencies' and institutions' normal operations and will not provide the General Fund of Commonwealth substantial resources. The report also recommended several changes which would enhance a reader's understanding of the amounts due and the ability to monitor the collections of the various agencies and institutions involved in the generation and collection of these receivables.

See the following link for more details: <http://www.apa.virginia.gov/reports/AcctReceivRev2010.pdf>

Status of Issues and Findings

In response to the Accounts Receivable reports issued over the last two years, the Department of Accounts' (Accounts) primary focus has been improving accounts receivable reporting instructions available to state agencies. Accounts has updated the Accounts Receivable User Manual, developed an Accounts Receivable training topic that is available in the Commonwealth's Knowledge Center and revised the receivables directive attachment, better defining the reporting of receivable amounts. Accounts is also revising the Commonwealth Accounting Policies and Procedures (CAPP) Manual topic on Accounts Receivable reporting. In order to complete the revision, Accounts must first complete an evaluation of all data elements that it should capture and report either by modifying the current Quarterly Report format or by developing a new reporting structure.

Disbursement Processes

The Commonwealth of Virginia uses various methods to disburse funds for purchases, payroll, retirement benefits, unemployment benefits, social service benefits and other expenses related to the operations of state agencies. Most disbursements occur through either traditional paper checks or an electronic disbursement method, which can include Electronic Data Interchange (EDI), Automated Clearinghouse (ACH), or wire transfers. The Commonwealth also utilizes a charge card program designed to provide state agencies and institutions the opportunity to streamline payment for small dollar goods and services.

Each disbursement method has different processing costs as well as different qualitative risk factors. There are also other disbursement methods the Commonwealth uses that include an EPPI debit MasterCard and an EBT card, however, these disbursement methods occur less frequently and are not part of this report. This report provides an overview of the volume of transactions and costs associated with the most commonly used disbursement methods utilized by the Commonwealth and Decentralized Institutions of Higher Education.

Agencies and institutions have decreased the volume of checks written over the past several years. However, our report identifies a number of opportunities for agencies to further reduce administrative costs associated with check-writing through the use of various electronic disbursement methods.

We identify over \$100,000 in potential annual cost savings through implementing recommendations to further promote e-commerce. Our estimates of cost savings use solely variable costs and do not consider reductions in fixed costs as we could not estimate at what reduced transaction volume a reduction in fixed costs, such as a full-time equivalent employee, could occur. Therefore we consider our estimates conservative and achievable through implementation of recommendations in this report. We also identify more than \$900,000 of annual costs related to checks issued by the Department of Taxation due to circumstances that may be outside of their control, but which may warrant further review.

Our recommendations center on reducing the number of physical checks issued by the Treasury in lieu of payments by Electronic Data Interchange, Automated Clearing House, or charge card. In instances where payments are less than \$5,000, the recommendations envision using the charge card, with the expectation that agencies have sufficient monitoring controls in place to reduce the risk of fraud, waste, or abuse. Generally when the Commonwealth makes frequent payments to a person or business that would otherwise be paid by check; the Commonwealth should require the payee to register with its Electronic Data Interchange in order to receive payment.

Finally, agencies need to exercise sound judgment in determining the methods to pay employees, vendors, and other third parties. There are a number of opportunities remaining to reduce disbursement costs with increased use of e-commerce. Agencies may realize those benefits through exercising sound judgment and the Department of Accounts may realize those benefits with increased enforcement of existing policies.

See the following link for more details: <http://www.apa.virginia.gov/reports/Disbursements2010.pdf>

Status of Issues and Findings

Since our report, Accounts launched an ePayables program in June 2011. The program re-routes payments in the state's accounting system that the Commonwealth would otherwise pay by check or electronic data interchange, to occur instead on a virtual purchase card for vendors who choose to register for the service. As a result, vendors receive payment faster, agencies continue to process transactions similarly to the way they have, the Commonwealth avoids the cost of writing checks, and earns rebate with its charge card vendor.

Virginia Gas and Oil Board Opportunities Exist to Improve Escrow Accounting

We reviewed of the Virginia Gas and Oil Board's policies and procedures over the management of escrow funds arising from the pooling of coal-bed methane gas. We conducted this review to determine if the Virginia Gas and Oil Board follows best practices in the management of escrow accounts as compared to their current policies and procedures.

We recommended the Board do the following:

- Obtain Deposit and Revenue Details for Escrow Accounts to gather key information from all Gas Companies on a recurring basis so the Board can perform reasonableness tests of amounts received.
- Develop Data Standards for the electronic receipt of information from the Gas Companies and the transfer of information from the custodian's system. Having information provided electronically will eliminate staff time for data entry and increase their ability to analyze the information.

These recommendations highlighted the need for the Board to enhance the data they obtain and analyze to ensure the efficient and effective administration of their escrow accounts.

- Set Time Frames for Escrow Deposits that establish an allowable timeframe for a deposit into an escrow account after the sale of gas.
- Periodically Review the Escrow Accounts by testing the balances of escrow accounts and the management of the funds.
- Document Policies and Procedures for the management of escrow accounts and include these documents in the periodic review mentioned above.

See the following link for more details: <http://www.apa.virginia.gov/reports/VGOB2010.pdf>

Status of Issues and Findings

The Board implemented all of the recommendation from this report since its issuance and continues to work with a certified public accounting firm to address other concerns remaining within its established accounts.

Agency Performance Measures and Operations Budgets Room for Improvement Remains for Both

Agency Performance Measures

Performance management in the Commonwealth continues to evolve with significant improvement in the completeness and accuracy of 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, inconsistent, 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 their efforts to link budget and performance information.

The Department of Planning and Budget (Planning and Budget) is developing and implementing a new budgeting and performance management system that will eventually replace Virginia Performs. In September, 2010 Planning and Budget implemented Phase I of this system, which covered budget development (operating and capital), six-year financial planning, and budget execution.

At the time of this report, we also noted that Phase II of the implementation process should occur in Summer 2011 and will address agency spending plans and strategic planning. This phase of the system will replace Virginia Performs and should provide additional functionality to help address some of the issues in this report. Phase III will include additional enhancements to the system with scheduled completion in Spring 2012.

See the following link for more details: <http://www.apa.virginia.gov/reports/SWAPM2010.pdf>

Statewide Budget and Appropriation Processing Controls

Our review of the Statewide Budget and Appropriation Processing Controls for the year ended June 30, 2010, found that Planning and Budget's policies and procedures are adequate to ensure that:

- Planning and Budget complies with requirements in the Appropriation Act and the Code of Virginia that could materially affect the Commonwealth's annual financial statements;
- CARS properly includes the budget approved by the General Assembly;
- Planning and Budget properly approves, documents, and reconciles budget adjustments in the Form 27 Automated Transaction System (FATS) to CARS at a statewide level; and
- Appropriation controls in CARS are adequate to ensure program expenses do not exceed appropriations.

One issue that remains unaddressed from our prior reports is budget transparency issues arising from budget adjustments processed by Planning and Budget. The most significant of these issues is the significant transfers of General Funds to various non-general funds for programs like Personal Property Relief as well as higher education programs.

Planning and Budget makes these transfers to comply with various requirements in the Appropriation Act, which allow for separate monitoring and tracking of these funds; however, the current practice creates a loss of funding transparency in the accounting records. We initially reported these budget transparency issues in 2006 and we continue to believe these issues affect the ability of the user to easily relate the budget to the actions of the Commonwealth.

See the following link for more: <http://www.apa.virginia.gov/reports/SWBudgetControls2010.pdf>

Status of Issues and Findings

As noted above, Planning and Budget is in the process of implementing a new Performance Budgeting System that should help address some of the issues in these reports. Phase II of the implementation designed address agency spending plans and strategic planning process was scheduled to occur in Summer 2011; however, due to system stability issues with Phase I, Phase II and Phase III were placed on hold. Strategic Planning and Agency Spend plans will be managed using the existing systems and processes in the near term.

We will continue to monitor the project's status and implementation activities. Once Phase II resumes, Planning and Budget will provide statewide training for agencies on the strategic planning and performance measures modules. Our office will participate in this training and provide information from the results of our reviews of performance measures.

Commonwealth Data Point Review of Transparency Best Practices

Government Technology's Digital States Survey in 2010 ranked Virginia as second best in the United States for state government technology practices. This Survey cited Commonwealth Data Point as a major reason for the ranking. Contributing to this ranking was the website's ability to track government credit card transactions, population levels in prisons and schools, and government work force levels.

Our review identified three basic categories for grouping transparency best practices. These categories are Comprehensiveness, Accessibility, and Search-ability. Each of these categories includes detailed recommendations or already existing transparency initiatives found in a majority of state database websites. We did not include practices that appeared to be specific to a particular state or do not exist across the board in our sources.

Overall, Commonwealth Data Point contains a majority of the best practices identified in our review, and incorporates additional features beyond existing best practices. However, Commonwealth Data Point does not include salary information, copies of contracts, performance measures reporting, and tax subsidy data. Best practices would dictate that this information be included; but, these features are currently impractical either because the Commonwealth's legacy accounting system would not support them or legislative changes would be necessary to provide the information.

Overall, Commonwealth Data Point contains a majority of the best practices identified in our review, and incorporates additional features beyond existing best practices.

See the following link: <http://www.apa.virginia.gov/reports/CommDataPointTransBestPrac10.pdf>

Status of Issues and Findings

U.S. Public Interest Research group issued an updated report in March 2011 which indicated the transparency best practices indicated in our report remained relatively the same. Commonwealth Data Point continues to contain a majority of the best practices identified, as well as additional features above and beyond best practices. Until the Commonwealth implements a modern accounting system and some policy issues are addressed by the legislature, Commonwealth Data Point will continue to lack the best practice features mentioned as missing in our report.

Section 2: 2012 Special Projects

The following section highlights special projects planned for the upcoming year. Several of these projects are either required by legislation, statute, or the Appropriation Act. The remaining projects reflect the results our annual analysis of risks to the Commonwealth. It should be noted that this list is not all inclusive and that we build flexibility into our work plan each year to address additional issues and requests as they arise.

Review of Enforcement of Local Ordinances

Objectives:

As requested by the General Assembly in the 2011 Appropriations Act Chapter 890, we will examine the background and extent to which localities have the authority to establish local ordinances that parallel state statutes. Our review will determine why localities can adopt local ordinances, examine the historical reason for allowing localities to collect local fines and costs, the current usage of local ordinances and funds generated, and research the current funding structure for the court system and how these local ordinances impact that funding structure.

Study of Health Insurance Program

Objectives:

As requested by the General Assembly in the 2011 Appropriations Act Chapter 890, we will perform a financial review of the state employee health insurance fund to include the rate setting process and projected expenses compared to actual expenses. Health insurance reserves have exceeded the actuarially recommended reserves since at least 2007 and actions taken by the Commonwealth to reduce those reserves have not had been as effective as projected. These actions include subsidizing both employee and agency premiums and diverting the interest previously earned by the reserve to the General Fund of the Commonwealth.

We will determine whether the Commonwealth's premium rate setting process follows industry best practices and whether adjustments to the actuary recommended rates were reasonable and appropriately vetted with Executive and Legislative staff. We will also examine projected to actual expense information back to fiscal year 2007 and determine what events affected the desired reserve reduction.

Department of Criminal Justice Services Analysis

Objectives:

As requested by the General Assembly in the 2011 Appropriations Act Chapter 890, we will provide assistance to the Department of Criminal Justice Services in preparing an analysis of the current and project financial operations and the financial outlook for regional law enforcement training academies.

Review Sales and Use Tax Distribution

Objectives:

In accordance with Section 30-133.2 of the Code of Virginia we will perform a review of the collection and distribution of local retail sales and use taxes, including a review of Taxation's policies and procedures for the collection and distribution of local retail sales and use tax. This review will be performed over multiple years and our work in the first year will focus on:

- *Taxation's policies and procedures for the collection and distribution of the local retail sales and use tax, including procedures for identifying the proper county or city for the distribution*
- *Taxation's audit process for sales and use tax collection and distributions*
- *Procedures used by local officials to identify entities that have not paid sales and use tax and how Taxation could coordinate or assist or work with the local officials to collect and accurately distribute collections*

VDOT Asset Management System

Objectives:

This review will encompass the second part of the "Review of Transportation's Asset Management System and Maintenance Funding Practices" report that we issued in July 2010. The first report noted the Asset Management System (AMS) identifies the maintenance needs but Transportation is not using it to directly allocate and apply maintenance funding to the individual roads and bridges.

During this phase of the review, we will perform detailed work to determine where Transportation used maintenance funding versus where AMS says the need exists. We will also review the performance measures Transportation follows for road maintenance. In essence, we will determine whether Transportation is directing maintenance funding to the most needed projects. In addition, Transportation is in the process of replacing AMS. Our audit will strive to help ensure that the new system has the capabilities to track maintenance needs versus funding usage and maintenance performed.

Review of Data Standards

Objectives:

In 2008 the Appropriations Act Chapter 879 required the Commonwealth to adopt statewide data standards in areas such as financial, procurement, and accounts payable. Our upcoming audit will examine and report on the Commonwealth's status of implementing data standards in these areas. Specifically, we will determine whether agencies are adopting recently approved data standards and any impediments to their implementation. Further, we will examine data standard initiatives underway including VITA's process to identify candidate areas for standardization. Finally, we will examine VITA's Project Management Divisions role in enforcing adherence to newly adopted standards.

Study of Social and Medical Systems

Objectives:

This review will study Social Service's strategic information systems planning process to determine if Social Services is communicating its information needs, identifying strategic opportunities, and developing a plan to address those information needs.

VITA - Contract Management

Objectives:

As VITA continues to refine its partnership with Northrup Grumman, we will continue to follow the status of their combined transformation activities. We will evaluate the service level agreements to ensure they are measurable and that VITA and Northrup Grumman take the measurements accurately. We will also consider any further change orders or requests for service and evaluate their reasonableness.

Section 3: 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 2009 through 2011.

Fraud Reviews

	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
<i>Outstanding cases at beginning of fiscal year</i>	33	43	51
<i>New reports</i>	44	48	39
<i>Closed reports</i>	<u>(42)</u>	<u>(58)</u>	<u>(47)</u>
<i>Active cases at end of fiscal year</i>	<u>35</u>	<u>33</u>	<u>43</u>

The following table provides a breakdown of the new reports received during the fiscal years 2009 through 2011 by type of entity.

New Reports

<u>Entity</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
<i>Courts</i>	2	6	2
<i>Local Governments</i>	4	9	4
<i>Institutions of Higher Education</i>	17	8	12
<i>State Agencies</i>	<u>21</u>	<u>25</u>	<u>21</u>
<i>Total</i>	<u>44</u>	<u>48</u>	<u>39</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 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
<i>No Conviction</i>	13	25	15
<i>Conviction</i>	2	6	2
<i>Conviction and Recovery</i>	15	2	5
<i>Administrative Action</i>	5	9	15
<i>Administrative Action and Recovery</i>	<u>7</u>	<u>16</u>	<u>10</u>
<i>Total</i>	<u>42</u>	<u>58</u>	<u>47</u>

Other Matters

During our audits, we find issues which both strengthen internal controls, help to reduce the risk of fraud or recover funds from inappropriate transactions. Below are two example of this type of work. The first involves the Departments of Medical Assistance Services and Social Services. The second issue deals with a payment by one of the Department of Behavioral Health and Developmental Services' facilities.

Obtain Valid Social Security Numbers

Invalid social security numbers from local departments of social services could be creating \$5 million in questioned cost each year for the Medicaid program. We found in one month that Medical Assistance Services did not receive corrected social security numbers for 1,350 individuals, which cost the program \$426,000. Medical Assistance Services relies on the Department of Social Services and local departments of social services for determining eligibility.

To help decrease the number of invalid social security numbers, Social Services could focus its monitoring of local social services offices by targeting cases that appear to contain an error or have riskier profiles. Currently, Social Services conduct these reviews by selecting random cases. Social Services could select specific cases from the eligibility system that the Social Security Administration returns.

For example, Social Services could analyze the exceptions in the cases where Medical Assistance cannot verify the social security numbers with the federal government, to determine if there is a concentration of these cases within one or more localities or with a few social workers spread across the state. However, before conducting targeted reviews, Social Services will need to gain a better understanding of the information it houses within its eligibility system and develop the skill sets needed to perform such an analysis of this information to ensure that localities, social workers, and system controls are working as intended to prevent ineligible individuals from receiving benefits.

Properly Manage Energy Contracts and Debt

The Fiscal Director for Southwestern Virginia Training Center (SWVTC) prepaid \$1,298,216.31 on SWVTC's energy contract. These actions potentially shift the risk of this contract away from the contractor and may void the intent of the contract.

While SWVTC prepayment of ten years on the contract potentially wasted \$222,472.29 in prepaying interest, which should have come out of the payments, these actions also place the program at risk by eliminating the ability to perform provisions of these contracts. Also, SWVTC is not the only facility which has prepaid some amount of these contracts. We understand that a number of facilities have made prepayments of up to a year. These other facilities are also shifting the risk of nonperformance to the Commonwealth.

BHDS should immediately stop the practice of making prepayments on its energy contracts, recover all prepaid interest, and renegotiate the contract for SWVTC or recover the prepayment. Considering the complexity of the contracts, the chances of improperly shifting risk and therefore cost from the contractor to the Commonwealth, we recommend that BHDS reconsider its oversight of these contracts both from monitoring with their terms, but also the general financial oversight. Considering the affect that budget reductions have had on the fiscal staff at the facilities, consolidation of this function may be appropriate.

Section 4: 2010-2011 Organizational Highlights

Operational Highlights

We complete most of our reviews of the Commonwealth's agencies and institutions in conjunction with our audit of the State Comptroller's Comprehensive Annual Financial Report and the Statewide Single Audit of federal grants and contracts. Using a risk based analysis of an agency's control environments, we determine which agencies have the most need for an audit in order to best maximize our available resources and protect the assets of the Commonwealth. Further, each year, we perform special reviews looking at a wide range of topics from analysis of policy issues facing the administration and the General Assembly to performance reviews of certain Commonwealth programs.

We have accomplished all this each year while, like the rest of state government, experiencing continued reductions in our general fund appropriations and staffing. To avoid layoffs we instituted a hiring freeze in fiscal year 2009, which in conjunction with other restructuring activities, reduced management by three and staff by almost 30. In fiscal year 2011 we started hiring again to begin replacing some of the staff we lost through attrition during this period. However, it will take time to build our staffing back to the experience level we once had.

	<u>Count</u>
Approved Staffing Level	130
Funded Staffing Level	111
Actual Funded and Available Staff	
<i>As of June 30, 2008</i>	129
<i>As of June 30, 2009</i>	121
<i>As of June 30, 2010</i>	111
<i>As of June 30, 2011</i>	103

Reductions in our most critical resource, our staff, coupled with mandated activities limit the breadth of work we can accomplish in any given year. We must perform many of our audits, because they have statutory mandates, support federal regulations, or fulfill bond covenants requirements. Further, increased auditing requirements by the federal government under ARRA have required increased time to audit those federal funds. Additional work performed by our office, such as maintaining Commonwealth Data Point, fulfills other statutory mandates. These mandates put a strain on our resources.

Consequently in recent years, less time has been available for our risk based auditing activities. To the extent feasible, we build these risk based audits into our work plan as demonstrated by the planned special projects highlighted in Section 2 of this report. And as we increase our staffing levels, we will rededicate resources to these types of audits.

Financial Highlights

We strive to make the most of our available resources while ensuring we remain good stewards of the Commonwealth's funds. The schedule on the following page reflects our budget to actual performance for fiscal year 2011, but does not fully reflect the extent of our efforts to conservatively manage our funding.

For example, we learned in fiscal year 2010 that the Appropriations Act would require our office to make a reversion of \$1.3 million for both fiscal year 2011 and 2012. The total available line item in the schedule below reflects the impact of the 2011 mandatory reversion to our original and adjusted general fund budget presented. Upon learning this, we immediately began planning for these reductions and potential future reductions by continuing our hiring freeze and implementing other cost saving initiatives internally. As a result by the end of fiscal year 2010 we spent almost \$1 million less than had been budgeted for that same period.

Throughout most of fiscal year 2011, we managed ourselves to the total available budget for general funds of just over \$9 million. However, we learned late in fiscal year 2011 that we could carry forward our 2010 savings to offset the mandatory reversion required for fiscal year 2011. The schedule below reflects the impact of the carry forward of these funds. As you can see, even with the mandatory reversion covered mostly by the prior year's savings, due to our conservative use of the available funds, we still spent significantly less than our budget.

Analysis of APA Original and Adjusted Budget versus Actual Expenses by Funding Source
for the year ending June 30, 2011

<u>Funding Source</u>	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual Expenses</u>	<u>Variance</u>
<i>General Fund</i>	\$ 10,367,464	\$ 10,538,005		
<i>Mandatory Reversion</i>	(1,322,000)	(1,322,000)		
<i>Total available</i>	9,045,464	9,216,005	\$ 8,718,562	\$ 497,441
<i>Carry forward of FY2010 general fund savings</i>	-	967,131	-	967,131
<i>Special Revenue</i>	869,754	919,754	919,754	-
Total	\$ 9,915,218	\$ 11,102,890	\$ 9,638,316	\$ 1,464,574

The Department of Planning and Budget informed our office in September 2011 that we could plan to carry forward our 2011 savings and we intend to use those savings to address the mandatory reversion for fiscal year 2012. The schedule below reflects our original and adjusted budget for fiscal year 2012, as of August 31, 2011, based on the carrying forward of these savings.

APA Original and Adjusted Budget
for the year ending June 30, 2012

<u>Funding Source</u>	<u>Original Budget</u>	<u>Adjusted Budget</u>
<i>General Fund</i>	\$ 10,367,464	\$ 10,367,464
<i>Mandatory Reversion</i>	(1,322,000)	(1,322,000)
<i>Carry forward of FY2010 general fund savings</i>	-	1,464,574
<i>Total available</i>	9,045,464	10,510,038
<i>Special Revenue</i>	869,754	869,754
Total	\$ 9,915,218	\$ 11,379,792

As a result we are now focusing on rebuilding our staffing resources so that we may expand the valuable work our office performs, addressing more of the potential projects identified through our risk assessment process. Maximizing our available staffing resources, while living within our available funding, remains our top priority.

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, 2011. An asterisk * indicates that the report includes audit findings and recommendations.

Agencies and Institutions

Judicial Branch

Virginia State Bar for the year ended June 30, 2010

Independent Agencies

Virginia College Savings Plan for the year ended June 30, 2010

Virginia Retirement System for the year ended June 30, 2010*

Virginia State Lottery Department for the year ended June 30, 2010*

Virginia State Lottery Department "Mega Millions" Report on Applying Agreed-Upon Procedures for the period April 1, 2009 through March 31, 2010

Virginia State Lottery Department "Win for Life" Report on Applying Agreed-Upon Procedures for the period April 1, 2009 through March 31, 2010

Executive Departments

Governor's Cabinet Secretaries for the year ended June 30, 2010

Office of the Attorney General and the Department of Law for the year ended June 30, 2010*

Office of the Governor for the year ended June 30, 2010

Office of the Lieutenant Governor for the year ended June 30, 2010

Administration

Compensation Board for the year ended June 30, 2010

Department of General Services for the years ended June 30, 2009 and June 30, 2010*

Division of Selected Agency Support Services for the year ended June 30, 2010*

State Board of Elections for the years ended June 30, 2009 and 2010*

Virginia War Memorial Foundation for the year ended June 30, 2010*

Commerce and Trade

Department of Business Assistance for the years ended June 30, 2009 and June 30, 2010*

Department of Housing and Community Development for the year ended June 30, 2010*

Urban Public-Private Partnership Redevelopment Fund and the Virginia Removal or Rehabilitation of Derelict Structures Fund for the fiscal year ended June 30, 2010

Commerce and Trade (continued)

Virginia Biotechnology Research Partnership Authority for the year ended June 30, 2010*

Virginia Board of Accountancy for the year ended June 30, 2010

Virginia Commercial Space Flight Authority for the year ended June 30, 2010

Virginia Economic Development Partnership for the year ended June 30, 2010

Virginia Employment Commission for the year ended June 30, 2010*

Virginia National Defense Industrial Authority for the years ended June 30, 2009 and 2010

Virginia Racing Commission for the year ended June 30, 2010

Virginia Small Business Financing Authority for the year ended June 30, 2010

Virginia Small Business Financing Authority for the year ended June 30, 2009*

Virginia Tobacco Indemnification and Community Revitalization Commission for the year ended June 30, 2010

Virginia Tourism Authority for the year ended June 30, 2010

Education

Department of Education Including Direct Aid to Public Education for the year ended June 30, 2010

Library of Virginia for the period July 1, 2008 through June 30, 2010

Southern Virginia Higher Education Center for the years ended June 30, 2009 and 2010

Southwest Virginia Higher Education Center for the two-year period ended June 30, 2009

Virginia Museum of Fine Arts for the year ended June 30, 2010*

Colleges and Universities

Christopher Newport University for the year ended June 30, 2010*

College of William and Mary in Virginia for the year ended June 30, 2010*

College of William and Mary in Virginia Intercollegiate Athletic Programs for the year ended June 30, 2010

George Mason University for the year ended June 30, 2010*

George Mason University Intercollegiate Athletic Programs for the year ended June 30, 2010

James Madison University for the year ended June 30, 2010

James Madison University Intercollegiate Athletic Programs for the year ended June 30, 2010

Longwood University for the year ended June 30, 2010*

Longwood University Intercollegiate Athletic Programs for the year ended June 30, 2010

New College Institute for the year ended June 30, 2009

Norfolk State University Financial System Implementation Project as of March 30, 2011*

Norfolk State University for the year ended June 30, 2009*

Norfolk State University for the year ended June 30, 2010*

Norfolk State University Intercollegiate Athletic Programs for the year ended June 30, 2010*

Northern Virginia Community College Reaccreditation Review for the year ended June 30, 2010

Old Dominion University for the year ended June 30, 2010*

Old Dominion University Intercollegiate Athletic Programs for the year ended June 30, 2010

Radford University for the year ended June 30, 2010

Radford University Intercollegiate Athletic Programs for the year ended June 30, 2010

Colleges and Universities (continued)

University of Virginia for the year ended June 30, 2010
 University of Virginia Intercollegiate Athletic Programs for the year ended June 30, 2010
 Virginia Commonwealth University for the year ended June 30, 2010
 Virginia Commonwealth University Intercollegiate Athletic Programs for the year ended June 30, 2010
 Virginia Community College System for the year ended June 30, 2009*
 Virginia Military Institute for the year ended June 30, 2010
 Virginia Military Institute Intercollegiate Athletic Programs for the year ended June 30, 2010
 Virginia Polytechnic Institute and State University for the year ended June 30, 2010*
 Virginia Polytechnic Institute and State University Intercollegiate Athletic Programs for the year ended June 30, 2010
 Virginia State University for the year ended June 30, 2009*
 Virginia State University Intercollegiate Athletic Programs for the year ended June 30, 2010

Finance

Agencies of the Secretary of Finance for the year ended June 30, 2010*
 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, 2010

Health and Human Resources

Agencies of the Secretary of Health and Human Resources for the year ended June 30, 2010*
 Commonwealth Health Research Board for the years ended June 30, 2009 and June 30, 2010
 Office of Comprehensive Services for At-Risk Youth and Families for the year ended June 30, 2010*
 Virginia Department for the Aging for the years ended June 30, 2009 and June 30, 2010*
 Virginia Foundation for Healthy Youth for the year ended June 30, 2010

Natural Resources

Department of Conservation and Recreation, Virginia Land Conservation Foundation, and the Chippokes Plantation Farm Foundation for the years ended June 30, 2008 and June 30, 2009*
 Marine Resources Commission for the two-year period ending June 30, 2010
 Potomac River Fisheries Commission for the year ended June 30, 2010
 Rappahannock River Basin Commission for the years ended June 30, 2009 and June 30, 2010
 Virginia Museum of Natural History for the three-year period ended June 30, 2010*

Public Safety

Department of Alcoholic Beverage Control for the year ended June 30, 2010*
 Department of Corrections, Virginia Parole Board, and Virginia Correctional Enterprises for the year ended June 30, 2010*

Public Safety (continued)

Department of Forensic Science for the period July 1, 2008 through June 30, 2009*
 Department of Juvenile Justice for the fiscal years ended June 30, 2009 and June 30, 2010*
 Department of Military Affairs for the three-year period ending June 30, 2010*
 Department of Veterans Services and the Veterans Services Foundation for the year ended June 30, 2010*
 Virginia Department of Emergency Management for the year ended June 30, 2010*

Technology

Innovative and Entrepreneurship Investment Authority, including its Blended Component Unit,
 Center for Innovative Technology for the year ended June 30, 2010
 Virginia Information Technologies Agency, June 2011*
 Wireless E-911 Services Board for the year ended June 30, 2010*

Transportation

Virginia Port Authority for the year ended June 30, 2010*
 Agencies of the Secretary of Transportation for the year ended June 30, 2010*

Special Reports

Accounts Receivable Review – November 2010*
 Auditor of Public Accounts—2010 Report to the General Assembly
 Commonwealth Cell Phone Study, July 2010*
 Commonwealth Data Point Transparency Best Practices – December 1, 2010
 Commonwealth of Virginia Court Operations for the year ended June 30, 2009
 Commonwealth of Virginia Single Audit Report for the year ended June 30, 2010*
 Comparative Report of Local Government Revenue and Expenditures for the fiscal year ended June 30, 2010
 General Assembly, Legislative Agencies, and Commissions of the Commonwealth of Virginia
 Financial Report for the fiscal year ended June 30, 2010
 Goochland County—Report on Treasurer’s Turnover, April 25, 2011*
 Progress Report on Selected Systems Development Projects in the Commonwealth as of March 2011*
 Report on Collections of Commonwealth Revenues by Local Constitutional Officers for the year ended June 30, 2010*
 Report to the Joint Legislative Audit and Review Commission for the quarter April 1, 2010 through June 30, 2010*
 Report to the Joint Legislative Audit and Review Commission for the quarter July 1, 2010 through September 30, 2010*
 Report to the Joint Legislative Audit and Review Commission for the quarter October 1, 2010 through December 31, 2010*

Special Reports (continued)

Report to the Joint Legislative Audit and Review Commission for the quarter January 1, 2011 through March 31, 2011*

Revenue Stabilization Fund Calculations for the year ended June 30, 2010*

Review of Agency Performance Measures for the year ended June 30, 2010*

Review of Armory Financial Management and Other Issues at the Department of Military Affairs, March 15, 2011*

Review of Compliance with the Federal Payments in Lieu of Taxes Act for the period October 1, 2009 through September 30, 2010

Review of the Budget and Appropriation Processing Control System for the year ended June 30, 2010*

Review of the Comprehensive Services Act for At-Risk Youth and Families Program in Pittsylvania County – November 2010*

Review of the Virginia Gas and Oil Board – November 2010*

Review of Transportation’s Asset Management System and Maintenance Fund Practices, July 2010*

Review of Unemployment Benefit Overpayments—Virginia Employment Commission, November 2010*

Single Audit Interim Communication for ARRA Programs – Department of Rehabilitative Services, December 1, 2010*

State of Information Security in the Commonwealth— Fall 2010 as of October 31, 2010*

State of Information Security in the Commonwealth of Virginia – Spring 2011 as of April 30, 2011*

Student Housing at Virginia’s State-supported Universities (Phase Two), December 2010*

Study of Commonwealth Investment Policies, August 2010*

Study of State Disbursement Processes – November 2010*

The following lists those courts audited during the period July 1, 2010 through June 30, 2011.

Circuit Courts

Accomack*	Fauquier	Pittsylvania
Accomack*	Fauquier*	Portsmouth*
Albemarle*	Floyd*	Prince George*
Albemarle*	Fluvanna	Prince William*
Alexandria	Franklin*	Pulaski*
Alleghany	Giles*	Radford
Amelia	Gloucester	Rappahannock
Appomattox*	Goochland	Richmond
Arlington*	Grayson	Roanoke
Augusta*	Greene	Roanoke*
Bath*	Greensville*	Rockbridge
Botetourt	Hampton	Rockingham*
Brunswick	Hanover*	Salem*
Buchanan	Hopewell	Salem*
Buckingham	Isle of Wight*	Shenandoah*
Buckingham	James City/Williamsburg*	Smyth*
Buena Vista*	King and Queen	Spotsylvania
Campbell	King George*	Stafford
Caroline	King William*	Suffolk
Carroll*	Lancaster	Surry
Charles City*	Lee	Sussex*
Charlotte*	Lee*	Tazewell*
Charlottesville*	Lunenburg*	Virginia Beach*
Chesterfield	Lynchburg*	Warren
Colonial Heights	Madison	Warren*
Craig*	Martinsville	Washington
Culpeper	Middlesex	Waynesboro
Cumberland	Montgomery	Westmoreland*
Danville*	Montgomery*	Wise*
Dickenson*	Norfolk	Wise/Norton
Essex	Northampton	Wythe
Essex	Nottoway*	York/Poquoson

Circuit Courts-Clerk Turnover Audits

Campbell	Craig	Lynchburg
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General Receivers

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

General District Courts

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

Juvenile and Domestic Relations Courts

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

Combined General District Courts

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