

# 2014 ANNUAL REPORT

## AUDITOR OF PUBLIC ACCOUNTS

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# Commonwealth of Virginia

*Auditor of Public Accounts*

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November 1, 2014

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable John C. Watkins  
Chairman, Joint Legislative Audit  
and Review Commission

I am pleased to submit the **2014 Annual Report of the Auditor of Public Accounts**. Through the audits we perform and the other activities in which our staff engage, we strive to provide unbiased, accurate information and sound recommendations to improve accountability and financial management of public funds. This Annual Report provides you with an overview of some of the more significant activities and results of audits from the past year. All of our reports are available on our agency website at [www.apa.virginia.gov](http://www.apa.virginia.gov). In addition, Commonwealth Data Point and guidance for local governments and their auditors can be accessed on our website.

I want to thank my staff for their hard work and dedication. They are key to the Office accomplishing its work plan. This year the Richmond Times-Dispatch recognized the Office as one of Richmond's Top 50 Workplaces due in no small part to the working environment espoused by my management team and staff.

AUDITOR OF PUBLIC ACCOUNTS

## - TABLE OF CONTENTS -

	<u>Page #</u>
<b>OUR AUDIT ACTIVITIES</b>	<b>1-15</b>
Reporting on Mandatory Audits	1
CAFR and Single Audit	2-3
Higher Education Institution Audits	4-5
Providing Information to the General Assembly	6
Secretarial Perspectives	6-9
Agency Perspective: Focusing on the Importance of Internal Control	9-10
Focusing the Spotlight	11
Funding and Management of Commonwealth Assets	11-12
Enterprise Applications Master Services Contract Management	12-13
Governance	13
Information Technology	13-15
Tax Collection and Distribution Processes	15
<b>OUR OTHER ACTIVITIES</b>	<b>16-23</b>
Supporting Local Government	16-18
Auditing Guidelines	16
Comparative Report Preparation	16-17
Providing Relief for Small Governments	17
Quality Control Reviews	17-18
Sharing Knowledge	18-20
Monitoring Standards and Regulations	21
Investigating Fraud	22-23
<b>OUR ORGANIZATION</b>	<b>24-30</b>
Making APA a Great Place to Work	24-25
Continuing our New Initiatives	25-26
Creating a New Look for our Reports	25
Recognizing the Importance of Innovation	26
Managing our Resources	26
Finding the Right Structure	26
2014 Administrative and Financial Highlights	27-29
Structure and Funding	27
Rebuilding Staffing Levels	27-28
Being Good Stewards	28-29
<b>APPENDIX A: Office Overview</b>	<b>30-31</b>
<b>APPENDIX B: 2014 Continued Special Projects</b>	<b>32-33</b>
<b>APPENDIX C: Issued Reports and Audited Courts</b>	<b>34-41</b>
<b>APA STAFF</b>	<b>42-44</b>

## OUR AUDIT ACTIVITIES

The Auditor of Public Accounts (the Office) performs a variety of audits each year including financial, federal, and performance. We spend the majority of our time performing audits mandated by the [Code of Virginia](#), federal regulations, and bond or accreditation requirements. Their results are used by various entities to evaluate the Commonwealth's fiscal management. To the extent our resources allow, we also perform special projects and other agency reviews covering a wide array of topics.

During 2014, our organization of 111 auditors and support staff:

- Issued 16 special reports;
- Issued 86 reports for audits of state agencies and institutions, issuing findings for 27;
- Reviewed 95 General, Juvenile and Domestic Relations, and Combined District Courts, issuing findings for eight;
- Reviewed 94 Circuit Courts, issuing findings for 30;
- Reviewed 34 General Receivers and Magistrates, issuing findings for two; and
- Reviewed 142 Constitutional Officers, issuing findings for 28.

Our reports on these audits and other reviews include recommendations for improving internal controls and addressing non-compliance with state and federal regulations and providing information from Commonwealth, Secretarial, and Agency perspectives. Our special project topics in 2014 included funding and management of Commonwealth assets, enterprise applications master services contract management, governance, information technology, and tax collection and distribution processes.

The following features the results of some of these audits completed during fiscal year 2014. [Appendix C](#) contains a complete list of all audits we issued during the fiscal year.

### REPORTING ON MANDATORY AUDITS

Most of our mandated audits are financial statement audits, including the audits of the Commonwealth's Comprehensive Annual Financial Report (CAFR) and Higher Education Institutions. Our mandated audits also include the Single Audit of federal funds expended by the Commonwealth. We summarize our observations and findings for the more significant mandatory audits completed this year below.

## CAFR and Single Audit

The Commonwealth's CAFR is an audit of the statewide financial statements used by bond rating agencies and others to assess the fiscal health of the Commonwealth. The Code of Virginia mandates the completion of the audit by December 15 each year. This past year, as a part of the CAFR audit, we performed testwork over the financial activity at over 22 different agencies and universities, obtaining coverage over \$53 billion in revenues and \$50 billion in expenses for the Commonwealth and its components. Through this work, we also gained coverage over \$36 billion in government assets, consisting primarily of capital assets and cash and investments; \$66 billion in pension and other employee benefit trust fund assets; as well as \$15 billion in government liabilities.

During our audits of the CAFR material agencies, we also perform work to support the Commonwealth's Single Audit of federal funds. The Single Audit report serves to communicate not only findings related to federal compliance testing for these and other agencies, but also internal

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*During our audits of the CAFR material agencies, we also perform work to support the Commonwealth's Single Audit of Federal Funds.*

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control and compliance matters related to the CAFR audit. As a result, we complete this work in time to issue the Single Audit report within 60 days of the completion of the CAFR, which is approximately 45 days ahead of the federally mandated deadline.

The federal compliance testing we perform for the Single Audit is done to fulfill the audit requirement to which the Commonwealth commits when it accepts federal funds. All state entities (agencies, authorities, boards, and commissions, etc.) that are part of the Commonwealth are subject to audit under the Single Audit. For fiscal year 2013, we evaluated \$13.5 billion in federal expenses for testing. To complete the Single audit, we audited 22 federal programs administered by the Commonwealth. Our testing for the CAFR and Single Audit resulted in 68 findings and recommendations, 46 related to internal controls over the Commonwealth's CAFR and 22 related to federal compliance. Additionally, we performed follow-up testing on 48 findings issued in 2012 to ensure management resolved the issue or was taking appropriate corrective action. At the time the 2013 Single Audit was compiled, management had completed corrective action on 65 percent of the prior year findings.

The auditing standards we follow require us to evaluate the severity of each internal control finding and classify them as a significant deficiency or material weakness, with material weakness being the most critical classification. We classify findings as a material weakness when there is a reasonable possibility that a material misstatement of the entity's financial information will not be prevented or detected and corrected on a timely basis due to a deficiency in internal control.

For fiscal year 2013, we found two issues at Norfolk State University that are material to the Commonwealth's federal compliance. Additionally, we found six issues related to internal controls over the Commonwealth's CAFR that are considered material. Five of the six are associated with system controls with the remaining material issue associated with the implementation of Cardinal, the Commonwealth's new accounting system, at the Department of Transportation.

The following table summarizes the nature and number of findings reported in the Statewide Single Audit for fiscal years 2012 and 2013. Overall, the number of findings issued for fiscal year 2013 increased from fiscal year 2012. The most notable CAFR related findings were in the areas of system controls, while the most notable Federal Compliance findings related to reporting.

Statewide Single Audit Findings for the year ended June 30, 2013 and 2012  
(Non-Duplicative Count\*)

CAFR Related Internal Control and Compliance Findings			Federal Compliance Findings		
	2013	2012		2013	2012
Systems Controls			Reporting	6	3
<i>Access Controls</i>	15	5	Special Test and Provisions	5	1
<i>System Security</i>	12	13	Sub-recipient Monitoring	5	6
<i>Application Controls</i>	2	-	Cash Management	2	2
<i>General Controls</i>	2	5	Eligibility	2	4
Financial Reporting	5	2	Davis-Bacon Act	1	1
Expenses	4	-	Internal Control	1	2
Revenues	3	2			
Inventory	2	1			
Monitoring	1	-			
State Compliance	-	1			
	<b>46</b>	<b>29</b>		<b>22</b>	<b>19</b>

\*In some cases, findings reported above related to both the CAFR and Single Audit. These findings are not counted twice in the above tables or narrative. Instead, they are only reported once in a category, either CAFR or Single Audit, depending on the nature of the finding. For more details on each finding, see the [2013 Single Audit](#) report and the [2012 Single Audit](#) report.

The increase in CAFR access control findings can be attributed to a greater emphasis of testing in this area as a result of renewed focus on integrated auditor training from our “Innovative Approaches” strategic planning initiative. We discuss our strategic planning initiatives in more detail later in this report. In addition, limited statewide guidance exists for agencies to utilize related to this area.

The increase in Federal Compliance reporting findings relates to enhanced testing over federal reporting for the Federal Funding Accountability and Transparency Act of 2006 (FFATA). FFATA requires agencies to report detailed information to the federal government about their expenses. With Congress passing the Digital Accountability and Transparency Act of 2014 (DATA Act), agencies will be required to report even more information to the federal government, which we will subsequently have to audit. Our 2013 findings should help agencies be better prepared to meet the reporting requirements of the DATA Act.

For the 2014 Single Audit currently under way, we are required to perform follow-up procedures on all 68 audit findings from 2013 as well as audit seven federal programs again because of management’s internal control weaknesses.

## Higher Education Institution Audits

During the past year, we completed 14 financial statement audits related to the Commonwealth's higher education institutions, including the Virginia Community College System. While we issued unqualified opinions on the financial statements of each of these institutions, we included internal control and compliance recommendations in eight of the audit reports. Those recommendations addressed a variety of issues as summarized in the following table.

Control and/or Compliance Area	Number of Institutions with Findings
Student Financial Aid	14
Employee Termination Procedures <i>(including system access for terminated employees)</i>	7
System Access Review <i>(including segregation of duties)</i>	6
Various Information System Security*	5
Financial Reporting Process	4
Capital Asset Inventory and Management	3
Procurement	2
Reconciliations	2
Federal Programs and Research	1
Internal Control Risk Assessment Process	1
Maintaining Documentation	1
Payroll	1
Policies and Procedures	1
Staffing and Organizational Structure	1
Vendor Payment Process	1

\*Including database security, web application security, change management, firewall management, and information security program

We also performed reaccreditation reviews at two community colleges and additional procedures at 12 higher education institutions over their National Collegiate Athletics' Association activities.

### Status on Audit of Norfolk State University

Included in the results above are the results of our audit of the fiscal year 2011 audit of Norfolk State University (University), which we completed in September 2013. Our report included multiple internal control and compliance findings that we consider to be material weaknesses. The findings in our report are intended to provide a roadmap for management in addressing the University's most significant risks related to financial and administrative functions and to ensure the Board of Visitors has adequate information to provide guidance, oversight, and expectations to

University management. The table on the following page highlights the nature of the finding and its classification as a material weakness or significant deficiency. Access the [Full Report](#) on our website.

Control and/or Compliance Area	Finding Classification
Staffing and Organizational Structure	Material
Policies and Procedures for Accounting and Financial Reporting Functions	Material
Financial Reporting Process	Material
Maintenance of Supporting Documentation for Audit	Material
Reconciliations	Material
Fixed Asset Management	Material
Internal Control Risk Assessment Procedures	Significant
Student Financial Aid	Significant

In September 2014, we issued our report for the audit of the University for fiscal year 2012. Due to the timing of the 2012 audit, we identified many of the same findings disclosed in the prior year report, including material and significant internal control deficiencies in financial reporting policies and processes, maintenance of appropriate supporting documentation, reconciliation of accounts, fixed asset management, and federal grants management. This report also provided a status of the University’s corrective action plan for the 2011 findings previously disclosed. Access the [Full Report](#) on our website. We are currently auditing the financial statements for fiscal years 2013 and 2014 and anticipate releasing our reports on those audits in November and December, respectively.

### Upcoming Projects Related to Higher Education

We have two ongoing special projects related to higher education for which we plan to issue reports in the coming year. The first is the Higher Education Alternative Financing Study, which we have continued from the 2014 work plan. See [Appendix B](#) of this report for more information on this project.

The second project is to prepare a Comparative Report for Higher Education. Our objective with this project will be to provide financial comparison and analysis of the various public institutions of higher education in Virginia, considering the size and type of institution. We will use techniques such as ratio analysis to further analyze and compare financial information. Once completed we plan to transition this analysis into an annual report to aid decision makers and improve transparency and comparability for citizen-users of higher education financial information.



## Providing Information to the General Assembly

Beyond making recommendations for improving internal controls and addressing noncompliance, we look for other opportunities to add value to the Commonwealth. Our reports on the results of audits will often include additional information that we believe will be useful to General Assembly members in the performance of their duties and responsibilities. We present information from Commonwealth, Secretarial, or Agency perspectives depending on the nature of the topic and the type of report being issued.

### Secretarial Perspectives

We look for opportunities to communicate the results of our agency audits in a manner that is most useful to report users. Therefore, we have chosen to use “Secretarial” reports for three secretarial areas: Finance, Health and Human Resources, and Transportation. These areas lend themselves to secretary-wide reporting as we complete work at the majority of agencies under each of these secretarial areas in the same timeframe as we are performing work to support the CAFR and Single Audit. Further, there are often cross cutting issues affecting the agencies within these Secretariats. Below we highlight the secretarial reports we issued for fiscal year 2013.

#### *Agencies of the Secretary of Finance*

The agencies within the Finance Secretariat work closely together in the budgeting, management, and reporting of the Commonwealth’s financial resources. In this report, we provide an overview of their activities along with the interaction of the agencies within the Finance Secretariat while performing these activities. In addition, the report contains findings for several agencies under the Finance Secretariat recommending improvement in the following areas: Database Security, Data Center Physical Security, Financial Reporting, Monitoring of Administrative and Compliance Activities, System Access Controls, and Processing of Risk Management Invoices.

The report also includes status updates on upcoming pension accounting changes and statewide system development projects. The new pension accounting standards will significantly increase the amount of pension liability and expenses the Commonwealth and its localities report in their financial statements. Implementation of these standards will require a joint effort between the Virginia Retirement System, the Department of Accounts, and the Commonwealth’s various local governments.

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*The impact of upcoming pension accounting changes and the successful implementation of new statewide systems continue to be highlighted as ongoing risks to the Commonwealth.*

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We also highlight the Commonwealth’s ongoing implementation of multiple new statewide budgeting and financial reporting systems. The Performance Budgeting System has been implemented and is operational. The Commonwealth is continuing the process of implementing the

Cardinal System, a statewide accounting and financial reporting system. Phases one and two of the project are complete with the Departments of Transportation and Accounts both having implemented the new system. Phase three, which involves an incremental rollout to all state agencies, will occur over the next two years with Cardinal becoming the official system of record by the beginning of fiscal year 2017. The Commonwealth has developed a funding methodology to support system maintenance and operation costs for both systems. The funding model is an internal service fund model that relies on user charges based on rates that are approved by the Joint Legislative Audit and Review Commission. Access the [Full Report](#) on our website.

<b>Upcoming Projects Related to Cardinal</b>	
<p>Because of the importance of Cardinal and the role the system will play in shaping future system implementation projects, we have included several related projects in our 2015 work plan.</p> <p style="text-align: center;"><b>2015 Work Plan Projects Related to Cardinal</b></p>	
<p>Review of the Commonwealth’s Cardinal System Implementation and its Oversight</p>	<ul style="list-style-type: none"> <li>• Assess the Cardinal team’s progress addressing internal control items identified during a post implementation audit of the system.</li> <li>• Review the operational governance structure supporting the Cardinal system against best practices.</li> </ul>
<p>Review of Integration Challenges between Virginia’s Procurement and Financial Systems</p>	<ul style="list-style-type: none"> <li>• Examine eVA functionality and its usage by agencies, assess integration concerns, and evaluate the ease of use and auditability of transactions from procurement through payment.</li> <li>• Report on the Commonwealth’s efforts to integrate eVA into the new financial accounting system Cardinal.</li> </ul>
<p>Review of Independent Financial Systems and Recommendations of Future Cardinal Functionality</p>	<ul style="list-style-type: none"> <li>• Determine which agencies have independent financial systems and identify functionality needs that justify having the independent system.</li> <li>• Assess how much is spent annually maintaining independent financial systems.</li> <li>• Assess the age of central systems, expected remaining life, and estimated cost to replace.</li> <li>• Recommend a prioritized list of future Cardinal functionality enhancements that addresses agency needs and aging central systems.</li> </ul>

## *Agencies of the Secretary of Health and Human Resources*

The agencies within the Health and Human Resources Secretariat are responsible for managing the delivery of human services, which include social and medical services. In this report, we provide a summary of the financial highlights at the program level for the agencies within the Health and Human Resources Secretariat, including an analysis of budgetary and actual activity during the year. This report includes 30 findings that resulted from our audit work: five relate to System Access Controls, eight relate to Information System Security, 12 relate to Federal Compliance, and five represent issues of State Non-Compliance and Operational recommendations.

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*Of the 30 findings reported for the agencies within the Health and Human Services Secretariat, four are classified as material weaknesses.*

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The agencies within the Health and Human Resources Secretariat account for approximately one third of the Commonwealth's total expenses. Therefore, in the report we highlighted information concerning the Secretariat's budgetary and actual financial activity. During fiscal year 2013, the agencies within this Secretariat were provided a budget of \$12.3 billion. Through administrative adjustments processed by the agencies and the Department of Planning and Budget the total budget increased by \$191 million (two percent). However, the agencies collectively spent approximately \$12.1 billion, which resulted in \$397.8 million in unspent budgeted funds.

While some of the unspent budget was the result of multi-year projects, the Department of Planning and Budget should be concerned that some of the Department of Social Services' (Social Services) program budgets do not provide an accurate picture of the federal resources that will be used to provide services. Access the [Full Report](#) on our website.

## *Agencies of the Secretary of Transportation*

The agencies within the Transportation Secretariat provide services supporting land, air, and water transportation in the Commonwealth. Their responsibilities include collection revenues from taxes, licenses, and registrations to fund operations; developing and maintaining highways, seaports, and airports; and assisting in the development of private and local rail, public transportation, highways, airports, and seaports. In this report, we provide a discussion of the complex sources of funding for these agencies as well as the use of those funds across the Commonwealth.

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*We also issued a risk alert regarding the Department of Transportation's ability to efficiently and effectively obtain data from Cardinal.*

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The 2013 report contains 13 findings, two of which are considered material weaknesses, for several agencies under the Transportation Secretariat. We make recommendations for improvement in the following areas: System Access Controls, Database Security, Depreciation Process and Controls, Financial Reporting, Federal Reporting, Information Technology Security Program, Information Technology Risk Assessment, Procedures over Journal

Entries, Retirement Reconciliation Processes, and Sub-recipient Monitoring. We also issued a risk alert in this report regarding the Department of Transportation’s ability to efficiently and effectively obtain data from Cardinal and discussed how that issue may become a broader concern for the Commonwealth as the system is implemented statewide. Access the [Full Report](#) on our website.

### [Agency Perspective: Focusing on the Importance of Internal Controls](#)

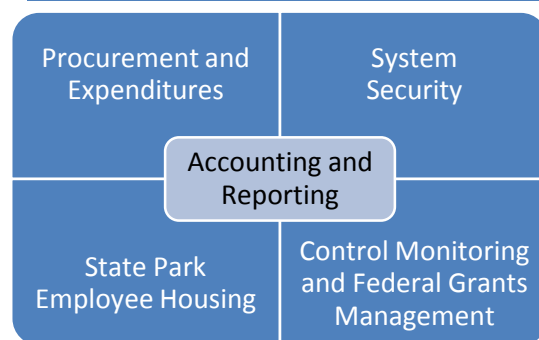
Sound internal control practices are the driving force behind the management of the Commonwealth’s resources. Many factors play into an organization’s ability to effectively and efficiently design and implement their internal controls to minimize the risk of mismanagement and fraud. Over the course of the past year, several of our audits have highlighted the importance of internal control and what can happen when it is found lacking. We discuss a few of those reports here.

#### [Department of Conservation and Recreation](#)

In January 2014, the Virginia Senate Finance Committee requested that our Office initiate a special review of the Department of Conservation and Recreation. Prior to initiating the review, we met with management who indicated that they had significant concerns over internal controls and compliance agency-wide. Therefore, we focused the objectives of the special review on the identification of internal control weaknesses and areas of non-compliance. Our review resulted in 93 recommendations to management across a variety of different business areas and agency functions.

*Our review resulted in 93 recommendations to management across a variety of different business areas and agency functions.*

While this report reflects a complete list of issues that came to our attention during our review, due to a weak control environment at the agency, it is possible that management will uncover additional issues as they implement agency-wide controls. Access the [Full Report](#) or [Executive Summary](#) on our website.



#### [Department of Emergency Management](#)

In our Department of Emergency Management report, we identified a number of internal control weaknesses in the finance area that are due to either poor overall management, staffing inadequacies, or a combination of both. We found several cash management and budgeting issues and, as a result, our report includes an overall recommendation to improve financial management practices at the agency. In addition, we recommended the agency address overtime and staffing issues in the public assistance program. We also followed up on six internal control findings from our prior audit and found that the agency had fully resolved three of these findings and partially resolved the remaining findings, which relate to petty cash, fuel card management, and reconciliation procedures. Access the [Full Report](#) or [Executive Summary](#) on our website.

## *Department of Game and Inland Fisheries*

The Department of Game and Inland Fisheries (DGIF) report for the period July 1, 2011 through December 31, 2012 includes a number of internal control and compliance recommendations, some of which we consider to be material weaknesses, from our audit of their financial records and operations. As seen through the findings noted in this report, DGIF continues to experience the negative effects of significant employee turnover in the Finance area that occurred in fiscal year 2011. Therefore, our report also includes a risk alert related to the impact of position vacancies on DGIF's Finance Division.

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*Three of the findings we included in the report were repeat findings from the prior year, including the material weakness related to improving the accuracy and timeliness of the transfer of revenues collected on the behalf of other agencies.*

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Of specific concern as highlighted in the report, DGIF does not have adequate policies, procedures, or internal controls over revenues collected to ensure their proper recording as to amount and classification or to ensure the accurate and timely transfer of revenues collected on the behalf of other agencies.

DGIF is recording and transferring sales revenue rather than cash, which is inappropriate in a cash basis financial system. Due to the significance of the revenues DGIF collects, we consider these inadequacies to be material weaknesses in internal controls. Our report also included findings in the areas of Database Security, Reconciliation Processes, and System Access Controls. Access the [Full Report](#) or [Executive Summary](#) on our website.

## *Virginia School for the Deaf and Blind*

The Virginia School for the Deaf and Blind report includes a number of internal control and compliance recommendations from our audit of the School's financial records and operations for fiscal years 2011 and 2012. Our report focused on the importance of internal controls surrounding the School's operations and management's responsibility for those internal controls, including ensuring that the "tone at the top" depicts the highest expectations for internal controls over daily operations.

We recommended that in addition to ensuring the School adheres to all Commonwealth policies and procedures, management should develop and implement internal policies and procedures to supplement the Commonwealth's policies and procedures. Our report also included internal control and compliance findings in the following areas: Capital Asset Useful Life Methodologies, Construction Contract Accounting, Firewall Management, Information Security Program, Reconciliation Processes, and Recording School Revenues. Access the [Full Report](#) on our website.

## FOCUSING THE SPOTLIGHT

Special Studies are designed to highlight key areas of risk to the Commonwealth as identified by the Office, driven by specific requests of the legislature or resulting from allegations of impropriety. The following summaries offer examples of such special studies performed during fiscal year 2014.

### Funding and Management of Commonwealth Assets

#### *Review of Capital Outlay funding and Cash Flow Processes*

Our study, the Review of Capital Outlay Funding and Cash Flow Processes, assesses the Commonwealth's implementation of the pooled project approach to capital outlay planning and execution, introduced during the 2008 Special Session of the General Assembly. Generally, we found that the multi-phase capital outlay process outlined in the 2008 Special Session of the General Assembly has not been functioning as intended for all projects. Due to their nature, some projects are not advancing through the three phases, outlined in the Code of Virginia, in a consistent manner.

However, the Commonwealth has realized significant benefits from the new approach and can realize further benefits, if it functions as intended. One of the largest benefits seen to date is that the new process ensures the completion of comprehensive planning before the authorization of construction resulting in more accurate and competitive construction bids. The report makes thirteen recommendations to the General Assembly and the entities involved in the process for improvements to the pooled project approach. Access the [Full Report](#) on our website.

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*The Commonwealth has realized significant benefits from the new approach and can realize further benefits, if it functions as intended.*

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#### *Review of Transportation's Highway Asset Management and Maintenance*

The Review of Transportation's Highway Asset Management and Maintenance is our fourth review in twelve years over Transportation's asset management processes. The reviews began in 2002 and found that Transportation did not have a systematic way to identify its maintenance needs and; therefore, could not reasonably determine or quantify them. We have followed up on this issue over the years, monitoring Transportation's progress as they implemented their Asset Management System to help improve their highway asset management and maintenance.

As reflected in the study, Transportation met its performance targets over roads, bridges, and culverts in 2013. However, Transportation does not have a documented process to evaluate the targets periodically. In addition, Transportation does not always perform the appropriate level of maintenance activity, instead performing a less productive activity. As a result, Transportation has

over 4,600 bridges and culverts that are on the verge of becoming structurally deficient, requiring prioritization of maintenance for these assets in the future. Access the [Full Report](#) or [Executive Summary](#) on our website.

#### Upcoming Projects Related to the Funding and Maintenance of Commonwealth Assets

We have two projects related to asset management that we have continued from the 2014 work plan that we plan to complete over the coming year. They include a Statewide Review of Mobile Devices and a Study of the Bureau of Facilities Management. See [Appendix B](#) of this report for more information on these projects.

Further, our 2015 work plan includes a newly mandated review of Capital Project Cash Flow Requirements. Pursuant to Chapter 806 of the 2013 Acts of Assembly, we are required to annually report to the Governor, Speaker of the House of Delegates, President Pro-Tempore of the State Senate, and the Chairmen of the House Appropriations and Senate Finance Committees on the adherence to the cash flow requirements for each capital project and any deviation in project appropriation and allotment, which results in a project delay. These requirements became effective during fiscal year 2014 and; therefore, we will issue our first report on this new process during our 2015 work plan year.

#### [Enterprise Applications Master Services Contract Management](#)

Conducted pursuant to Chapter 806, 2013 Acts of Assembly, the Review of the Management Agreement between CGI and the Department of Taxation (Taxation) provides the results of a financial and operational review of CGI related to the Enterprise Applications Master Services Agreement. The review specifically focuses on Statements of Work Six and Seven and the performance of CGI and its subcontractors with regard to measured service levels for those statements of work. Our report includes background information, graphs of CGI debt collection activity, and three review recommendations.

Our review found that CGI's available financial records related to the management agreement with Taxation appeared to be materially correct. However, in on our review of collections activity performed under the management agreement and prior to it, we found several areas of opportunity to improve the outside collection process.

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*We found several areas of opportunity to improve the outside collection process to produce the highest return available to the Commonwealth.*

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Taxation's outside collections process, currently performed by CGI under the management agreement, has resulted in higher fees, lower net collections for the Commonwealth, and insufficient oversight of contract performance. Therefore, we recommended that Taxation should review the costs and benefits of the management agreement, consider other available options to ensure that services are retained at competitive rates, and take action to produce the

highest return available to the Commonwealth rather than following the current course of operating under the Enterprise Applications Master Services Agreement. Access our [Full Report](#) on our website.

## Governance

We performed the Review of the Governance Structure over the Virginia Railway Express (VRE) as a result of a letter from the Governor requesting that our office and the Office of the State Inspector General coordinate a review of the governance over VRE. Specific questions were raised in the letter regarding the legal construct of VRE as well as the oversight provided by the current structure.

VRE, as a joint venture of the Northern Virginia Transportation Commission and the Potomac and Rappahannock Transportation Commission, has no legal status of its own. Oversight is provided through each commission as well as an Operations Board. While VRE's multi-faceted governance structure provides the opportunity for multiple points of oversight, the structure also blurs the line of responsibility for the organization, potentially impacting the efficiency and effectiveness of VRE's operations. As a result of this review, several key points were identified for consideration by the Governor, General Assembly, and those charged with governance over VRE. Access our [Full Report](#) on our website.

### Upcoming Projects Related to Governance

Because of our project on VRE as well as questions we periodically receive regarding the governance of similar organizations, we have included a project in our 2015 work plan to study the accountability and oversight of independent government-like organizations. As part of this project, we will identify these organizations and the governance structure supporting them. We will also evaluate whether additional oversight and public reporting is warranted.

## Information Technology

### *Progress Report on the Electronic Health and Human Resources Program*

The Progress Report on the Electronic Health and Human Resources Program - Virginia's Medicaid Modernization Solution reflects our on-going review of the eHHR Program Management Office and the information technology projects it is overseeing. The project is a \$151.8 million joint investment between Virginia and the federal government designed to improve Virginia's ability to administer effective social services, support Medicaid expansion, a Health Benefits Exchange, and compliance with other aspects of the Patient Protection and Affordable Care Act of 2010. Our on-going review hopes to detect problems at the earliest possible point, informing and alerting decision makers so that they can take action to reduce potential failures.



In this report, we highlight the progress of the eHHR Program Office and identify six risks and recommendations regarding program and project management practices. The most immediate risk identified is completing a core portion of work by the October 1, 2013 federal mandate. After that work is complete, the eHHR Program Office should develop a strategy to close-out the Program and transition the eHHR projects to operations. We continue to follow the progress of this project and will issue additional reports if further risks are identified. Access our [Full Report](#) on our website.

### *Progress Report on Selected System Development Projects*

The Progress Report on Selected System Development Projects in the Commonwealth reflects our on-going review of \$260 million in Commonwealth information technology systems development projects. The report highlights all of the projects our office is monitoring and provides specific focus as needed on projects with unique areas of risk that could affect their successful implementation.

In our Spring 2014 report, we noted that there are two projects at the Virginia Employment Commission, the Financial Management System and Unemployment Modernization Project, which are operating without an approved schedule, placing these projects at risk of failure. We also include a brief discussion of two emerging trends in project management within the Commonwealth, which if used properly, both can provide value to the Commonwealth and its agencies. Access our [Full Report](#) on our website.

### *State of Information Security in the Commonwealth of Virginia*

The State of Information Security in the Commonwealth of Virginia is an annual report that accumulates and analyzes the information security recommendations issued by this office to agencies during audits conducted in the most recent fiscal year. The statewide analysis allows us to identify the most common information security categories whose controls are not implemented in accordance with the Commonwealth's information security standard or agencies' IT policies.

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*We reviewed information technology controls at 55 agencies in the executive and judicial branches and found 24 percent did not comply with standards as designed or did not work as required by policy.*

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During 2013, we reviewed 235 controls in 20 information security categories, which covered 55 agencies in the executive and judicial branches and found 56 out of the 235 controls (24 percent) did not comply with standards as designed or did not work as required by policy. Access our [Full Report](#) on our website.

### Upcoming Projects Related to Information Technology

In addition to our annual progress reports on information systems development and the state of information technology in the Commonwealth, we have two upcoming projects related to information technology that we have continued from the 2014 work plan. They include a Review of Surplus Procedures for Electronic Devices with Storage and a Review of Security of Internet Facing Websites. See [Appendix B](#) of this report for more information on these projects.

### Tax Collection and Distribution Processes

The Review of Retail Sales and Use Tax Collection and Distribution Processes, issued in September 2013, is our final report on our review of the retail sales and use tax collection and distribution process. This review was required by Section 30-133.2 of the Code of Virginia. We conducted this review in multiple phases, issuing an initial interim report in November 2011.

In this phase's report, we noted that overall the retail sales and use tax distribution process requires a joint effort between the Department of Taxation, localities, and businesses. Over the last several years, Taxation has implemented controls to reduce the number of locality distribution errors and improve the process. As a result, the error rate in locality distribution has been steadily decreasing and is now well below one percent. For the remaining errors observed, business registration errors continue to be the primary source of the remaining locality distribution errors.

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*Taxation has implemented controls to reduce the number of locality distribution errors and improve the process. As a result, the error rate in locality distribution is now well below one percent.*

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While we observed the overall process to be sound, we recommend in the report that Taxation consider automating all or parts of the distribution transfer request and reconciliation processes for localities. Further, Taxation should continue efforts to reduce business registration errors and enhance communication and training opportunities for localities. As required, we are also recommending annual benchmarks Taxation should use to measure the effectiveness of the local sales and use tax distribution process. Access the [Full Report](#) on our website.

## Our Other Activities

In addition to our auditing activities, we perform a variety of other functions throughout the year to assist in improving accountability and financial management in the Commonwealth. Some of these involve assisting the Commonwealth's local governments, including providing guidelines to the auditors of local government financial statements and reviewing the quality of their work. We also annually prepare a Comparative Report of Local Government, which is a compilation of financial information provided by each locality in the Commonwealth.

We also serve the Commonwealth by procuring public accounting firms and performing contract management for annual audits of legislative agencies and several other Commonwealth related entities. Besides the General Assembly and legislative agencies, we manage audit contracts for the Fort Monroe Authority, Virginia Commercial Space Flight Authority, Virginia Port Authority, Virginia Resources Authority, and the Virginia Tobacco Settlement Financing Corporation.

Further, we maintain Commonwealth Data Point, the Commonwealth's transparency website, provide information and data to General Assembly members and staff, and respond to related inquiries. We continuously follow the activities of various standard setting and regulatory bodies, providing feedback on proposed changes to help protect the interests of the Commonwealth and its localities. We also provide information to various state, local, and other professional organizations to ensure they are aware of changing accounting standards and federal regulations, activities of our Office, and results of our projects. Participating with these organizations also serves as a great way to gather information to help us continue improving our audits. We highlight below some of the specific ways our Office added value during the past year.

### Supporting Local Government

#### *Auditing Guidelines*

While our Office does not audit the financial statements of the Commonwealth's local governments, we do establish guidelines, or specifications, that the firms must follow when auditing local governments. The specifications assist state agencies in making sure that the auditing firms understand and include audit test work of state grants and contracts as well as detail how auditors should perform audit work unique to Virginia local governments. In particular, this year we added new requirements for auditing firms to test personnel data at the localities and school boards to support the changes in pension accounting.

#### *Comparative Report Preparation*

As we noted in the 2013 Annual Report, in July 2012 the Governor's Task Force for Local Government Mandate Review asked our Office to explore potential improvements to the Comparative Report process to provide relief to localities that provide the information for the Comparative Report. As a result, we assembled an advisory group of users and preparers of the Comparative Report to determine possible process improvements, whether current data is beneficial

to users including exploring potential eliminations and additions, and whether certain elements are available to users from other sources. The advisory group recommended removing some information from the Comparative Report that provided the least benefit to the users or was available from other sources. We implemented these changes for the fiscal year 2013 report.

Subsequent to making these changes, we received some requests to bring back the debt information that we removed from the Comparative Report due to its availability in the separately issued financial statements of localities. We consulted with our advisory group members and believe this will add minimal burden to the localities providing the information and plan to again include this information beginning in fiscal year 2015.

### *Providing Relief for Small Governments*

The Code of Virginia establishes the threshold at which local governments and political subdivisions must obtain an annual audit of their financial statements. The threshold for local governments is based on population. However, the threshold for political subdivisions was established based on the financial activity of the entity. The threshold in existence prior to the 2014 General Assembly session was \$5,000 and had been in place since 1981. Since that time, auditing standards for governmental entities have been expanded and as a result audit costs have risen.

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*Based on auditing standard changes, we were concerned that the cost of the annual audit could potentially become the largest annual expense of smaller political divisions and worked to change the reporting threshold.*

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Therefore, we were concerned that the cost of the annual audit could potentially become the largest annual expense of smaller political subdivisions and felt that it was time to reexamine the reporting threshold. We discussed this issue with Delegate S. Chris Jones and he introduced legislation that passed during the 2014 General Assembly Session that raised the reporting threshold to \$25,000.

### *Quality Control Reviews*

The Office is not responsible for procuring a locality's auditing firm or overseeing their work during the process. However, annually, the Office selects a sample of the firms used by the localities and conducts a post issuance quality control review to ensure the firms' work complies with auditing standards and encompasses all of the requirements of the federal government, if the local government receives federal funds, as well as the specifications mandated by our office. This review is in addition to the peer reviews that audit firms must periodically undergo. We communicate the results of our reviews to the firm, the applicable locality whose audit is selected for review, the Virginia Society of Certified Public Accountants, and the Virginia Board of Accountancy.

Firms can receive a rating of pass, pass with deficiencies, or fail. Firms that receive a rating of fail are scheduled for a repeat review in the following year. In 2014, the Office completed reviews of audits for six CPA firms and issued three reports with a rating of pass, two reports with a rating of pass with deficiencies, and one report with a rating of fail. On the following page is a summary of the deficiencies we noted in the reviews of the firms that received fail ratings.

Area of Deficiency	# of Firms Cited
Inadequate Documentation of Work Performed	3
Non-compliance with APA Audit Specifications	2
Inadequate Documentation of Audit Sampling	2
Inadequate Fraud and/or Risk Assessment Procedures	2
Failure to Adhere to Professional Auditing Standards Related to Accounting Estimates	2
Non-compliance with OMB Circular A-133 Requirements for the Audit of Federal Awards	1
Inadequate Documentation of Independence	1
Failure to Ensure Compliance with GASB Pronouncements	1

### Sharing Knowledge

We provide information on a variety of topics to various groups throughout the year including General Assembly members, state and local government officials and organizations, higher education groups, and other professional organizations. The tables on the following pages highlight the groups to which we provided information and the topics covered during the year.

General Assembly Members	
Senate Finance Capital Outlay Subcommittee	<ul style="list-style-type: none"> <li>• Provided a summary of the objectives, scope and methodology, recommendations, and conclusions from our Capital Outlay Funding and Cash Flow Processes Report</li> </ul>
House Appropriation General Government and Capital Outlay Subcommittee	<ul style="list-style-type: none"> <li>• Provided a summary of the objectives, scope and methodology, recommendations, and conclusions from our Capital Outlay Funding and Cash Flow Processes Report</li> </ul>
Senate Finance Economic Development and Natural Resources Subcommittee	<ul style="list-style-type: none"> <li>• Provided a summary of the key findings and recommendations in our Department of Game and Inland Fisheries Report for the period July 1, 2011, through December 31, 2012</li> <li>• Provided an overview of our audit of the Department of Conservation and Recreation</li> </ul>

State Government	
College and University Auditors of Virginia	<ul style="list-style-type: none"> <li>Presented information to Virginia colleges and universities internal auditors regarding auditing the Banner system</li> </ul>
Department of Planning and Budget	<ul style="list-style-type: none"> <li>Presented information to new analysts on the APA's role in state government and Commonwealth Data Point</li> </ul>
Fiscal Officers of College and Universities State Supported	<ul style="list-style-type: none"> <li>Presented information to finance and business officers of Virginia state-supported colleges and universities on new accounting and auditing standards</li> </ul>
Office of the State Inspector General	<ul style="list-style-type: none"> <li>Provided overview of APA's reports and other activities over the last year and planned projects for the coming year</li> </ul>
SCHEV* Board of Visitors New Member Orientation	<ul style="list-style-type: none"> <li>Presented information on the role of the APA and our interaction with the Boards</li> </ul>
SCHEV* Finance Advisory Committee	<ul style="list-style-type: none"> <li>Presented information on the impact of the new Governmental Accounting Standards Board pension accounting standards on financial reporting for the Commonwealth's colleges and universities</li> </ul>
Virginia Tech Master of Public Administration Program	<ul style="list-style-type: none"> <li>Provided overview of the activities of the APA to program participants who are concentrating in policy management in Virginia</li> </ul>

*\*State Council of Higher Education for Virginia*

Local Government	
Treasurers Association of Virginia	<ul style="list-style-type: none"> <li>Provided overview of the audit process and common audit findings</li> </ul>
Virginia Association of Counties and Virginia Municipal League	<ul style="list-style-type: none"> <li>Presented information on new Governmental Accounting Standards Board pension accounting standards at joint meeting to discuss pension liabilities for teachers</li> </ul>
Virginia Circuit Court Clerks Conference	<ul style="list-style-type: none"> <li>Provided overview of fraud including reporting requirements, common schemes, importance of internal controls, and red flags</li> </ul>
Virginia Government Finance Officers Association	<ul style="list-style-type: none"> <li>Provided an auditor's perspective of the impact of new Governmental Accounting Standards Board pension accounting standards</li> </ul>
Virginia Sheriff's Institute Spring Conference	<ul style="list-style-type: none"> <li>Provided overview to newly elected sheriffs on APA requirements for sheriffs and CPA firms, focus of APA audits of sheriffs, and common audit findings</li> </ul>

### Other Professional Organizations

<p>American Institute of Certified Public Accountants EDGE Conference</p>	<ul style="list-style-type: none"> <li>Presented information to emerging leaders in the accounting industry on gaining audit efficiencies through risk based data analytics</li> </ul>
<p>Association of Government Accountants (AGA) – Internal Control and Fraud Prevention Conference</p>	<ul style="list-style-type: none"> <li>Presented information on risk assessment to national conference attended by governmental accountants and auditors</li> </ul>
<p>AGA – Richmond Chapter</p>	<ul style="list-style-type: none"> <li>Presented information on the impact of the new Governmental Accounting Standards Board pension accounting standards on financial reporting</li> <li>Provided highlights on final federal grant reform changes that will have a major impact on the Commonwealth</li> </ul>
<p>AGA – Central Kentucky and New York Chapters</p>	<ul style="list-style-type: none"> <li>Provided highlights on final federal grant reform changes</li> </ul>
<p>National State Auditor’s Association Information Technology Conference</p>	<ul style="list-style-type: none"> <li>Presented information to staff of other State Auditor offices on topics including linking IT and financial risks, using automated audit techniques, auditing the Banner system, systems implementation project management, and the APA’s Study on Feasibility of Using CPA Firms</li> </ul>
<p>Virginia Society of Certified Public Accountants – Disclosures Magazine</p>	<ul style="list-style-type: none"> <li>Several members of the APA management team contributed to an article entitled <a href="#">"Order From Chaos: How Virginia's Office of the Auditor of Public Accounts harnesses Big Data to find the answers it needs,"</a> which was published in the July / August 2014 edition of the Virginia Society of Certified Public Accountants’ Disclosures Magazine</li> </ul>
<p>Virginia Society of Certified Public Accountants - Leadership Academy</p>	<ul style="list-style-type: none"> <li>A member of the APA management team was a co-facilitator of the Academy and another member of the management team attended the Academy</li> </ul>
<p>Virginia Society of Certified Public Accountants - State and Local Government Day</p>	<ul style="list-style-type: none"> <li>Provided an update on recent legislation related to APA activities, pension audit issues, local government audit quality control review results, and recent changes to APA’s website</li> </ul>

## Monitoring Standards and Regulations

During the year, our Office reviewed several documents issued for comment by the various standard setting bodies that govern the auditing standards we follow in performing our audits and the accounting standards that Virginia state and local governments must follow when reporting their financial activity. We also reviewed documents issued by federal oversight entities that establish regulations we must follow when auditing federal awards and state and local governments must follow when expending federal awards.

*We follow the activities of various standard setting and regulatory bodies and provide feedback on proposed changes to help protect the interests of the Commonwealth.*

Being a part of this process allows us to stay informed of upcoming changes so that we can provide technical advice to the General Assembly, state agencies and institutions, and local governments in the Commonwealth. In addition, by providing feedback to the standard setting and regulatory bodies on proposed changes, we help protect the interests of the Commonwealth in circumstances where we do not agree with the proposed changes. The table on the following page summarizes the documents that we reviewed and to whom we provided responses during the year.

Standard Setting Entity	Document Reviewed
<b>AICPA</b>	Proposed Statement on Attestation Engagements: Attestation Standards Clarification and Recodification
<b>FAF</b>	Revised Proposal for GASB Scope of Authority: Consultation Process
<b>GASB</b>	Preliminary Views on Major Issues Related to: Fair Value Measurement and Application
<b>GASB</b>	Proposed Concept Statement: Measurement of Elements of Financial Statements
<b>GASB</b>	Proposed Statement: Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68
<b>OMB</b>	2014 Draft OMB Circular A-133 Compliance Supplement* <i>*Response submitted through NASACT</i>

**AICPA** American Institute of Certified Public Accountants  
**FAF** Financial Accounting Foundation  
**GASB** Government Accounting Standards Board  
**NASACT** National Association of State Auditors, Comptrollers, and Treasurers  
**OMB** Office of Management and Budget

In addition to responding to formal documents proposed, we represent the Commonwealth of Virginia at the Single Audit Roundtable meetings in Washington D.C. At this twice-a-year event, Federal officials, a representative from the National State Auditors Association, representatives from all the major accounting firms, and representatives from a few states' audit organizations exchange ideas, problems, solutions, and best practices for performing Single Audits of federal programs.



## Investigating Fraud

During the course of the year, in accordance with 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, based on the nature and circumstances of each report, determines how best to proceed. The majority of reports and related situations result in this Office, the Office of the State Inspector General, and the State Police coordinating our activities with agency, institution and locality officials, primarily internal auditors, and local law enforcement. The table below outlines the volume of activity during fiscal years 2012 through 2014.

Fraud Reviews			
	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>
Outstanding cases at beginning of fiscal year	36	30	35
New reports	39	31	37
Closed reports	<u>39</u>	<u>25</u>	<u>42</u>
Active cases at end of fiscal year	<u>36</u>	<u>36</u>	<u>30</u>

The following tables provide a breakdown of the new reports received during the fiscal years 2012 through 2014 by type of entity and for fiscal year 2014 by type of fraud.

New Reports by Year and Type of Entity			
	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>
Courts	1	2	1
Local Governments	12	5	9
Institutions of Higher Education	10	9	10
State Agencies	<u>16</u>	<u>15</u>	<u>17</u>
Total	<u>39</u>	<u>31</u>	<u>37</u>

New Reports in FY 2014 by Type of Fraud		
	<u>FY 2014</u>	<u>% of Total</u>
Embezzlement	16	41.0%
Misuse of Credit Card*	6	15.4%
Falsifying Timesheets	4	10.3%
Other	<u>13</u>	<u>33.3%</u>
Total	<u>39</u>	<u>100%</u>

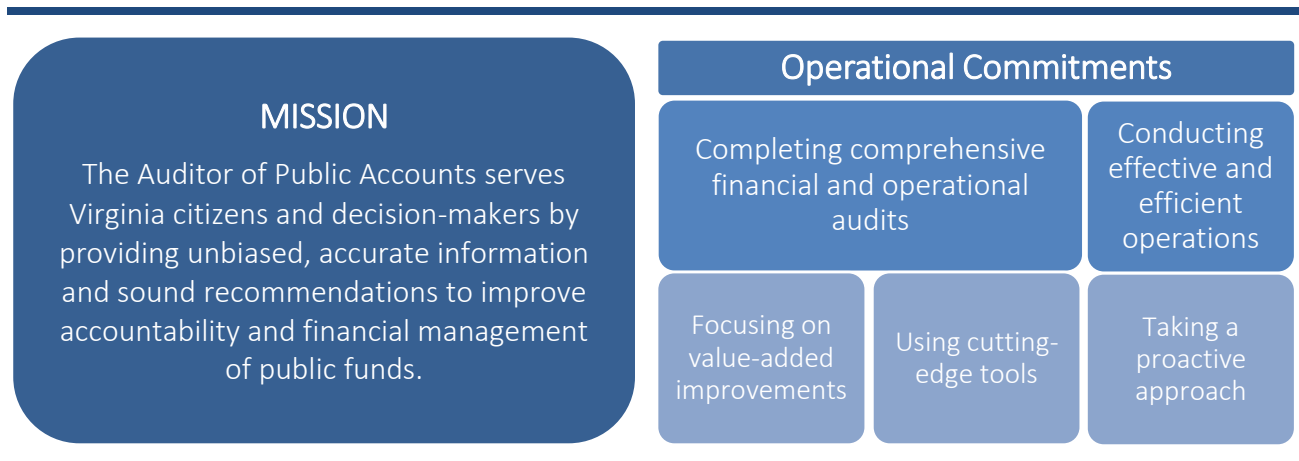
\*includes both small purchase charge card and fuel card

During the year, we were able to resolve and close a number of reports. The frauds that resulted in conviction and recovery were related to employees using small purchase charge cards and fuel cards for personal use and embezzling state funds. The breakdown of their resolution follows by fiscal year.

Closed Reports			
Disposition	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>
No Conviction / Action	19	11	7
Conviction	1	6	4
Conviction and Recovery	5	4	12
Administrative Action	8	3	10
Administrative Action and Recovery	<u>6</u>	<u>1</u>	<u>9</u>
Total	<u>39</u>	<u>25</u>	<u>42</u>

## Our Organization

Our mission drives us each day to support the Commonwealth in creative and new ways. Over the years, we have developed a solid organizational structure on which to perform our constitutionally driven responsibilities. To learn more about our structure and the types of individuals that work at the Office, please see our Office Overview document at [Appendix A](#).



### Making APA a Great Place to Work

We recognize that our staff are key to achieving our mission. Therefore, we strive to create a positive work environment that will help us to recruit and retain talented staff. In tough economic times, where monetary incentives are not options, we look for other ways to show our staff that we appreciate their efforts including holding Employee Appreciation Week, sponsoring a staff “hot dog and sandwich” luncheon provided and served by the APA Management Team, and encouraging periodic team charitable fundraisers and competitions.



Because we believe the APA is a great place to work, during fiscal year 2014 we decided to participate in the Richmond’s Top Workplaces event sponsored by the Richmond Times-Dispatch and Workplace Dynamics. To participate employers and their employees completed anonymous surveys about their workplace. We were pleased that over 93 percent of our staff completed a survey, much higher than the 60 percent benchmark provided by the sponsors.

On March 31<sup>st</sup>, as a result of the feedback received from our staff, the Auditor of Public Accounts was recognized as one of Richmond’s Top 50 Workplaces in the [Metro Business section of the Richmond Times-Dispatch](#), finishing fourth in the small companies category. In addition, Martha S. Mavredes, the Auditor of Public Accounts, was recognized as the top leader in the small employer category.

In addition to the positive impact we believe this recognition will have on our recruiting efforts, we also believe the survey results, which were summarized and provided to all participating

employers, provide a valuable tool for us to use to know areas where we have been successful and areas where we need to continue to make strides.

### Continuing our New Initiatives

As discussed in detail in our fiscal year [2013 Annual Report](#), with our change in leadership in the appointment of a new Auditor of Public Accounts, Martha S. Mavredes, the Office revisited its ongoing strategic planning initiatives. We refined our strategic plan, developing new priorities and strategies for the Office to reflect the new Auditor of Public Accounts' goals. The strategic plan itself is divided into seven key initiatives as shown in the chart below with multiple tasks under each initiative. These initiatives and their tasks are highly interrelated and will take several years to realize. Over the last year, we have continued to make progress toward implementing these initiatives. We highlight some of these areas below.



### *Creating a New Look for our Reports*

As a result of our Office's **Reporting Results** strategic planning initiative we have recently updated our report format including redesigning our report covers and changing our report font to one that is easier to read electronically since most of our reports are now accessed in electronic format. We have also developed a one to two page "executive" summary to use for select reports, several of which we reference in the Audit Activities Section above. Beginning in June, we started to provide these summaries to members of the Joint Legislative Audit and Review Commission on a monthly basis. Over the next year, we plan to explore report content for our agency focused reports.

We also reviewed our current reporting process, determining that our process is similar to other state auditor offices. Based on the results of our review, we enhanced our existing steps and added some new steps to include improved brainstorming and involve more staff in the various phases of the report preparation process. Further, we researched software that can improve the look and content of our audit reports and performed a cost benefit analysis, including functionality and cost, of the software identified. Over the next year, we plan to prepare sample reports for each software option.

### *Recognizing the Importance of Innovation*

As part of our **Innovative Audit Approaches** initiative, we completed training of all staff for them to better understand information controls and utilize automated data. In addition, we have held several “brown bag lunches” to share information and ideas from our audit experiences. During an office-wide meeting in May, we recognized staff that had incorporated innovative approaches into their audits as part of our efforts to promote innovation in the office.

Over the next year, we plan to continue to hold “brown bag lunches” to exchange ideas and look for opportunities to promote audit innovation. In addition, we have started working towards the development of data queries to identify potential frauds that we could put in place with the implementation of Cardinal, the Commonwealth’s new accounting and financial reporting system.

### *Managing our Resources*

As discussed in our 2013 Annual Report, during fiscal year 2013 we implemented several PeopleSoft system modules to replace our internally developed accounting and project management system that had become obsolete. Through our **Work Plan Development and Staffing** initiative, we have started the process of replacing our current project development database with a database that interfaces more readily with PeopleSoft. We plan to have this new process in place in the spring of 2015 when we develop our 2016 work plan. We have also performed analytics and surveyed staff and management regarding how to more effectively budget for our staffing needs on projects and are currently working on several tools to assist staff in this area.

### *Finding the Right Structure*

As part of the **Office Structure** initiative, we reviewed our organizational structure to determine whether we have the appropriate roles and progression for our staff. We determined that our structure was too flat, which limited career progression recognition and potentially hindered our ability to retain staff. In addition, we determined that our current job titles did not align with peers in the same profession, which makes recruiting for those positions more challenging as well as causes confusion for individuals outside of our organization with whom we communicate in performing our audits.

As a result of our review, we renamed some of our current position levels to be more comparable to titles used in industry; and we added a new title for entry staff in their probationary period and added one more level above audit supervisor to give more opportunities for career progression recognition. Over the last eighteen months, we have also hired staff that will be permanently assigned in the Southwest and Tidewater regions to allow us to more efficiently conduct audits in those regions. Previously, with the exception of our Local Government and Judicial Systems team, all staff were permanently assigned to our Richmond office.

## 2014 Administrative and Financial Highlights

### Structure and Funding

The Auditor of Public Accounts is a constitutional officer, serving as the external auditor for all non-legislative state entities of the Commonwealth. The General Assembly elects the Auditor to serve a four-year term, and the Auditor reports to the General Assembly through the Joint Legislative Audit and Review Commission. Virginia's Constitution and the Code of Virginia define the Auditor's duties. This structure provides independence from the agencies and institutions audited.

The Auditor's Office receives about 90 percent of its funding from the General Fund of the Commonwealth with the remaining ten percent resulting from billings for federal audit work. Additionally, the Auditor annually bills and directly deposits revenue into the General Fund for local court and select agency audits, which was approximately \$450,000 during fiscal year 2014.

### Rebuilding Staffing Levels

We have been operating at reduced staffing levels for over six years. During fiscal year 2008, we briefly built our levels back to the approved staffing level, but in subsequent years had to reduce staffing levels through attrition due to reductions in our general fund appropriations. We continue our efforts to replace staff that we lost through this period; however, it will take time to rebuild our organization back to prior experience levels. Over the last year, we were successful in maintaining our staffing level despite the strong market for accounting and auditing positions and while continuing to revert significant funds as discussed below. Further, over the last eighteen months, we have had seven former APA employees return to work for our Office and have had two additional former employees return subsequent to year-end. Since these staff are already experienced in auditing, there is minimal training time needed, which results in increased productivity when compared to staff with no prior experience.

We perform many of our audits because they have statutory mandates, support federal regulations, or fulfill bond covenants requirements. Other work performed by our Office, such as maintaining Commonwealth Data Point, fulfills additional statutory mandates. Reduced staffing levels, coupled with mandated activities, has limited the time available for our risk based auditing activities. Ideally, we would prefer to have more resources available to focus our non-mandatory work. However, like other organizations in the Commonwealth, over the past six years we have had to strategically manage our resources to ensure we accomplish our required work.

Staffing Overview	
	Count
Approved staffing level	130
Actual Staff	
<i>As of June 30, 2010</i>	111
<i>As of June 30, 2011</i>	103
<i>As of June 30, 2012</i>	107
<i>As of June 30, 2013</i>	112
<i>As of June 30, 2014</i>	111

To the extent feasible, we continue to build risk-based audits into our work plan. However, as was the case in the previous year, due to limited resources we had to postpone some of our risk-

based projects scheduled to be completed during fiscal year 2014 to our next work plan. [Appendix B](#) of this report reflects the projects from our 2014 work plan that are still in progress. While we proposed additional risk-based projects as part of our 2015 work plan, some of which we have discussed above, it is likely that we will not be able to complete many of them during fiscal year 2015 due to the number of projects we have carried over from the 2014 work plan. As we are able to increase our staffing levels, we will rededicate resources to these types of audits. However, as it takes time to train new staff, we will not immediately be able to increase our work plan.

### *Being Good Stewards*

As reflected above, we strive to make the most of our available resources while ensuring we remain good stewards of the Commonwealth’s funds and minimize the potential for staff layoffs. The schedule below reflects our budget to actual performance for fiscal year 2014, but does not fully reflect the extent of our efforts to conservatively manage our funding.

<b>Mandatory Reversions</b>	
	<u>Amount</u>
<b>2010</b>	\$ 1,048,754
<b>2011</b>	1,322,000
<b>2012</b>	1,322,000
<b>2013</b>	900,000
<b>2014</b>	<u>900,000</u>
	<u>\$ 5,492,754</u>

Over the past five years, we have been required to make significant reversions of funds, ranging from seven percent to over 11.5 percent of our adjusted budget. We have been able to make such significant reversions by operating at reduced staffing levels and implementing other cost saving initiatives internally. We have continued our conservation efforts through 2014. In addition, during the 2015 budget development process, we communicated our ability to revert \$562,196 during fiscal year 2015 from our 2014 carry forward balances. This amount was included in Chapter 2 of the 2014 Special Session I Acts of Assembly. Subsequent to the passage of the budget we committed to revert an additional \$450,000 of carry forward balances.

Throughout most of fiscal year 2014, we managed our expenses within our total available budget for general funds of just over \$11.4 million taking into account a mandatory reversion of \$900,000, which we absorbed through our ability to carry forward our prior year savings. As you can see, due to our conservative use of the available funds, we still spent significantly less than our available adjusted budget.

**Analysis of APA Original and Adjusted Budget versus Actual Expenses by Funding Source  
For the Year Ending June 30, 2014**

<b>Funding Source</b>	<b>Original Budget</b>	<b>Adjusted Budget</b>	<b>Actual Expenses</b>	<b>Variance</b>
<i>General Fund</i>	\$10,457,520	\$11,016,588	-	-
<i>Mandatory Reversion</i>	-	(900,000)	-	-
<i>Carry forward of FY2013 general fund savings</i>	-	1,362,196	-	-
<b>Total available General Funds</b>	<u>10,457,520</u>	<u>11,478,784</u>	<u>10,461,699</u>	<u>1,017,085</u>
<i>Special Revenue</i>	<u>878,053</u>	<u>878,053</u>	<u>878,053</u>	<u>-</u>
<b>Total</b>	<u>\$11,335,573</u>	<u>\$12,356,837</u>	<u>\$11,339,752</u>	<u>\$1,017,085</u>

The schedule below reflects our original budget for fiscal year 2015. The uncertainty of the economic outlook for the Commonwealth and knowledge of future reversions will lead us to continue to conservatively manage our available funds.

<b>APA Original Budget For the Year Ending June 30, 2015</b>	
<b>Funding Source</b>	<b>Original Budget</b>
<b>General Fund</b>	\$11,062,281
<b>Special Revenue</b>	<u>878,140</u>
<b>Total</b>	<u>\$11,940,421</u>

Maximizing our available staffing resources, while living within our available funding, remains our top priority. In 2015, we will continue to focus 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.





Martha S. Mavredes, CPA

## An Overview of the APA

### Insight into the Agency

Martha.Mavredes@apa.virginia.gov

### Our Mission

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

### Office Overview

Providing sound reliable information and alternatives helps the Commonwealth's leaders address the challenges facing Virginia today. The Office of the Auditor of Public Accounts serves as the General Assembly's eyes and ears, monitoring and reporting how state agencies and institutions spend taxpayers' money.

As the Commonwealth's Board of Directors, the General Assembly directs the work of the Auditor's Office, either through specific study language or through an annually approved work plan.

General Assembly members can also request technical assistance from the Auditor's Office in understanding the financial operations of the Commonwealth and its localities. Likewise, state agencies and institutions can make similar requests regarding specific areas of focus for review within their organizations.

**The bottom line:** The Auditor's Office is here to meet your needs and those of the Commonwealth's citizens.

### What Do We Typically Do?

The first part of our year predominantly focuses on addressing Code of Virginia and federally mandated audits such as the Commonwealth's Comprehensive Annual Financial Report (CAFR), the Statewide Single Audit of federal funds, and numerous other operational and financial statement audits.

For the remainder of the year, in order to ensure audit efficiency and cover the greatest number of agencies and institutions not mandated for review, the Auditor completes a risk assessment of the agencies and institutions as well as key issues facing the Commonwealth. Based on this assessment, projects are selected for completion within the confines of our available resources.

Most non-mandated audits are designed to ensure an agency has internal controls in place to protect the public's money and that they spend it the way the General Assembly planned. We also evaluate agency and institutional compliance with significant state and federal laws and regulations.

The Office's remaining resources are dedicated to special projects focused on emerging issues that may require General Assembly consideration or action. However, the Office remains fluid enough to address other areas of concern as they arise throughout the year.

### More than Auditors:

- Created and provides ongoing support for **Commonwealth Data Point**, an online resource showing where and how the Commonwealth spends its funds.
- Monitors major IT projects and contracts, which gives the General Assembly the opportunity to measure their progress and determine when they need adjustment.
- Provides technology-related vulnerability and penetration testing services when requested.
- Works with local, agency and institutional internal auditors investigating frauds and disposing of these cases.
- Reviews the entire court system from the Supreme Court of Virginia to every local court.
- Examines the state accounts and records of every locality handling state funds at least once every two years.
- Maintains oversight responsibility for local government audits performed by public accounting firms.


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## Structure and Funding

The Auditor of Public Accounts is a constitutional officer, serving as the external auditor for all state entities of the Commonwealth much like a corporation's CPA firm. In many respects, the Auditor's Office operates like a CPA firm, with the Auditor serving as the managing partner.

The General Assembly elects the Auditor to serve a four-year term and the Auditor reports to the General Assembly through the Joint Legislative Audit and Review Commission (JLARC).

Virginia's Constitution and the [Code of Virginia](#) define the Auditor's duties. This structure provides independence from the agencies and institutions audited.

The Auditor's Office receives about 90% of its funding from the General Fund of the Commonwealth with the remaining 10% resulting from billings for federal audit work. Additionally, the Auditor bills and directly deposits into the General Fund over \$500,000 annually for local court audits.

### Our Relationship with JLARC

As noted earlier, the Auditor reports to the General Assembly through JLARC.

As a result, JLARC is responsible for approving the Auditor's Annual Work Plan.

Typically presented at JLARC's May meeting, the work plan sets out our mandated audit activities and highlights the special reviews the Auditor's Office will perform in the coming year.

At the same meeting, the Auditor will also seek JLARC's approval for any modifications to the Office's staffing and salary levels.

Further, as requested, the Auditor's Office will work with or provide support to JLARC's staff in the execution of their economy, efficiency, and program results reviews.

## Our Staff

The Auditor's Office is comprised of a diverse group of professionals working together to issue sound, reliable audit reports that assist the stakeholders and decision makers of Virginia. The agency attracts a variety of individuals with a wide range of educational and professional backgrounds, ranging from undergraduate and graduate degrees in Economics, Accounting, Information Technology, and Business Management, just to name a few.

Staff demographics reflect an office culture that promotes diversity with employees of all ages, cultural backgrounds and years of service.

## Focused on the Issues

Our reports regularly provide process and policy change recommendations through which the Commonwealth could avoid costs or enhance their fiscal management of agency programs. Each year in the fall, the APA submits an Annual Report to the General Assembly, which highlights the previous years reports and emerging issues. This and all reports issued by our Office since 1998 are available on our website, [apa.virginia.gov](http://apa.virginia.gov).

## Need Information or Technical Assistance?

Simply call or e-mail the Auditor directly with it in writing, and may ask for the approval of your question or request. Depending on the JLARC to change our work plan.

nature of your inquiry, we often have the information you need readily at hand. Typically, we are able to respond within 24 to 48 hours for most of the inquiries we

However, if your inquiry will require receive.

substantial time, we will request you provide

### Experience

From CPA's to MBA'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.

### Specialization

To ensure the Auditor's Office is qualified to meet its mission, the Auditor has divided the organization into eleven specialty teams, each trained in the specific skill sets needed to perform their assignments. Areas of specialization include:

- Acquisition and Contract Management
- Budgeting and Performance Management
- Capital Asset Management
- Compliance Assurance
- Data Analysis
- Higher Education Programs
- IT Project Management
- IT Systems Security
- Local Government and Judicial Systems
- Reporting and Standards
- Strategic Risk Management



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### Special Projects Continued from 2014 Work Plan

The following section highlights special projects continued from the 2014 work plan year that we plan to complete in the 2015 work plan year along with the estimated completion date. Some of the projects are ongoing, while we deferred other projects due to staffing shortages, which resulted in some estimated completion dates being closer to the end of fiscal year 2015.

#### Study of the Usage of Sub-recipient Schedule of Expenditure of Federal Awards (SEFA)

Objectives:

*Determine if state agencies are using sub-recipient audited SEFA's as required in their oversight of federal funds by: (1) Reviewing and comparing sub-recipient SEFA's to the state agency's disbursements. (2) Investigating any differences and making adjustments as needed.*

*Estimated Completion Date: March 2015*

#### Statewide Review of Mobile Devices

Objectives:

*Perform a review of mobile devices (cellphones, tablets, and laptops) and the plans they use, including voice, text, and data, and the related costs. Determine whether VITA has implemented adequate guidance over the management of these devices, and whether agencies are following the guidance and using the most cost effective plans. Determine whether there are any other devices, such as pagers, that are obsolete but are still in use.*

*Estimated Completion Date: January 2015*

#### Study of the Bureau of Facilities Management

Objectives:

*Review the Department of General Service's Bureau of Facilities Management (BFM) project management services to tenants of state owned buildings. Evaluate the effectiveness of the process and procedures in place for agencies to obtain this service and for BFM to manage the service provided. Determine whether there have been any recent changes in the process and if it is self-supporting. Determine the charges/costs for these services and how they are recorded.*

*Estimated Completion Date: May 2015*

## Higher Education Alternative Financing Study

### Objectives:

*Identify and evaluate the various alternative financing arrangements currently utilized by colleges and universities to fund projects across the Commonwealth. Report on financing arrangements other than projects utilizing state bond programs to include agreements with Foundations, and other related entities.*

*Estimated Completion Date: April 2015*

## Statewide Review of Travel

### Objectives:

*This review will be conducted in multiple phases. The objectives for the interim phase of this review are to gain an understanding of statewide travel requirements and the role of central agencies; analyze statewide travel expenses to gain an understanding of the nature of expenses, both in terms of the types of expenses as well as which agencies and universities spent the most on travel expenses; and to gain an understanding of the specific processes and systems used to process and manage travel expenses at certain agencies and universities.*

*Estimated Completion Date: Interim Report December 2014*

## Review of Surplus Procedures for Electronic Devices with Storage

### Objectives:

*Review the Commonwealth's process to surplus (or return to vendor) electronic devices that contain storage capability, such as a hard disk.*

*Estimated Completion Date: November 2014*

## Security of Internet Facing Websites

### Objectives:

*Determine whether agencies' internet facing websites are adequately protected to ensure data confidentiality, integrity, and availability. Focus on web sites that have access to confidential (PII, HIPAA, FERPA, etc.) and mission critical data. Review the Commonwealth's security standard and whether it adequately addresses industry best practices for web site security.*

*Estimated Completion Date: April 2015*

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, 2014. An asterisk (\*) indicates the report includes audit findings and recommendations.

## Agencies and Institutions

### Judicial Branch

Virginia Board of Bar Examiners for the year ended June 30, 2013  
Virginia State Bar for the year ended June 30, 2013

### Independent Agencies

A. L. Philpott Manufacturing Extension Partnership for the years ended June 30, 2010, 2011, and 2012  
Internal Control Report on Local Government Investment Pool, Virginia College Building Authority, Virginia Public Building Authority, and Virginia Public School Authority for the year ended June 30, 2013  
State Corporation Commission for the year ended June 30, 2013  
State Lottery Department “Decades of Dollars” – Report on Applying Agreed-Upon Procedures for the period April 2012 through March 2013  
State Lottery Department “Mega Millions” – Report on Applying Agreed-Upon Procedures for the period April 2012 through March 2013  
State Lottery Department “Megaplier” – Report on Applying Agreed-Upon Procedures for the period April 2012 through March 2013  
State Lottery Department “Power Ball” – Report on Applying Agreed-Upon Procedures for the period April 2012 through March 2013  
State Lottery Department “Power Play” – Report on Applying Agreed-Upon Procedures for the period April 2012 through March 2013  
State Lottery Department “Win for Life” – Report on Applying Agreed-Upon Procedures for the period April 2012 through March 2013  
Virginia Office of Protection and Advocacy for the period July 1, 2011 through December 31, 2013  
Virginia Retirement System for the year ended June 30, 2013\*  
Virginia State Lottery Department for the year ended June 30, 2013\*

### Executive Departments

Division of Selected Agency Support Services for the year ended June 30, 2013  
Governor’s Cabinet Secretaries for the year ended June 30, 2013  
Office of the Attorney General and the Department of Law for the year ended June 30, 2013\*

## Executive Departments, continued

Office of the Governor for the year ended June 30, 2013  
Office of the Lieutenant Governor for the year ended June 30, 2013

## Administration

Compensation Board for the three-year period ended June 30, 2013  
Department of Human Resource Management for the years ended June 30, 2012 and June 30, 2013

## Agriculture and Forestry

Virginia Department of Forestry for the year ended June 30, 2013

## Commerce and Trade

Urban Public-Private Partnership Redevelopment Fund and the Virginia Removal or Rehabilitation of Derelict Structures Fund for the year ended June 30, 2013  
Virginia Biotechnology Research Partnership Authority for the year ended June 30, 2013\*  
Virginia Board of Accountancy for the year ended June 30, 2013  
Virginia Economic Development Partnership for the year ended June 30, 2013  
Virginia Employment Commission for the year ended June 30, 2013\*  
Virginia Racing Commission for the year ended June 30, 2013  
Virginia Small Business Financing Authority for the year ended June 30, 2013  
Virginia Tobacco Indemnification and Community Revitalization Commission for the year ended June 30, 2013  
Virginia Tourism Authority for the year ended June 30, 2013

## Education

Department of Education and Direct Aid to Public Education for the year ended June 30, 2013  
Gunston Hall for the years ended June 30, 2012, and June 30, 2013\*  
Jamestown-Yorktown Foundation for the years ended June 30, 2012, and June 30, 2013\*  
State Council of Higher Education for Virginia for the period July 1, 2011, through June 30, 2013  
Virginia's Museums for the years ended June 30, 2010, and 2011\*  
Virginia School for the Deaf and Blind and Virginia School for the Deaf and Blind Foundation for the years ended June 30, 2011 and June 30, 2012\*

## Colleges and Universities

Blue Ridge Community College – Review Report for the year ended June 30, 2013  
Central Virginia Community College – Review Report for the year ended June 30, 2013

## Colleges and Universities, continued

Christopher Newport University for the year ended June 30, 2013\*

George Mason University for the year ended June 30, 2013

George Mason University Intercollegiate Athletics Programs for the year ended June 30, 2013

James Madison University for the year ended June 30, 2013

James Madison University Intercollegiate Athletics Programs for the year ended June 30, 2013

Longwood University for the year ended June 30, 2013

Longwood University Intercollegiate Athletics Programs for the year ended June 30, 2013

Norfolk State University for the year ended June 30, 2011\*

Norfolk State University Intercollegiate Athletics Programs for the year ended June 30, 2013

Old Dominion University for the year ended June 30, 2013

Old Dominion University Intercollegiate Athletics Programs for the year ended June 30, 2013

Radford University for the year ended June 30, 2013

Radford University Intercollegiate Athletics Programs for the year ended June 30, 2013

The College of William and Mary in Virginia for the year ended June 30, 2013\*

The College of William and Mary in Virginia Intercollegiate Athletics Programs for the year ended June 30, 2013

University of Virginia for the year ended June 30, 2013\*

University of Virginia Intercollegiate Athletics Programs for the year ended June 30, 2013

Virginia Commonwealth University for the year ended June 30, 2013\*

Virginia Commonwealth University Intercollegiate Athletics Programs for the year ended June 30, 2013

Virginia Community College System – for the year ended June 30, 2012\*

Virginia Military Institute for the year ended June 30, 2013\*

Virginia Military Institute Intercollegiate Athletics Programs for the year ended June 30, 2013

Virginia Polytechnic Institute and State University for the year ended June 30, 2013

Virginia Polytechnic Institute and State University Intercollegiate Athletics Programs for the year ended June 30, 2013

Virginia State University for the year ended June 30, 2013\*

Virginia State University Intercollegiate Athletics Programs for the year ended June 30, 2013

## Finance

Agencies of the Secretary of Finance for the year ended June 30, 2013\*

## Health and Human Resources

Agencies of the Secretary of Health and Human Resources for the year ended June 30, 2013\*

Department of Health Professions for the year ended June 30, 2013\*

Virginia Foundation for Healthy Youth for the year ended June 30, 2013

## Natural Resources

Department of Conservation and Recreation, Chippokes Plantation Farm Foundation, and the Virginia Land Conservation Foundation for the period July 1, 2011, through December 31, 2012

Department of Environmental Quality for the years ended June 30, 2012, and 2013

Department of Game and Inland Fisheries for the period July 1, 2011, through December 31, 2012\*

Potomac River Fisheries Commission for the year ended June 30, 2013\*

Rappahannock River Basin Commission for the year ended June 30, 2013

## Public Safety

Department of Alcoholic Beverage Control for the year ended June 30, 2013\*

Department of Corrections, Virginia Parole Board, and Virginia Correctional Enterprises for the year ended June 30, 2012\*

Department of Corrections, Virginia Parole Board, and Virginia Correctional Enterprises for the year ended June 30, 2013\*

Department of Criminal Justice Services for the four-year period ended June 30, 2013

Department of Emergency Management for the year ended June 30, 2013\*

Department of Fire Programs for the years ended June 30, 2012 and June 30, 2013

## Technology

Assistive Technology Loan Fund Authority for the year ended June 30, 2013

Innovation and Entrepreneurship Investment Authority and Center for Innovative Technology for the year ended June 30, 2013

Wireless E-911 Services Board for the year ended June 30, 2012

## Transportation

Agencies of the Secretary of Transportation for the year ended June 30, 2013\*

## Veterans Affairs and Homeland Security

Veterans Services Foundation and Veterans State Nursing Home Care Grant at Department of Veterans Services for the year ended June 30, 2013



## Special Reports

2013 Annual Report of the Auditor of Public Accounts  
2013 State of Information Security in the Commonwealth of Virginia\*  
Commonwealth of Virginia Court Operations for the year ended June 30, 2012  
Commonwealth of Virginia Single Audit Report for the year ended June 30, 2013\*  
Comparative Report of Local Government Revenue and Expenditures for the fiscal year ended June 30, 2013  
Department of Medical Assistance Services Vulnerability Assessment and Network Penetration Test as of October 2013\*  
Progress Report on Selected System Development Projects in the Commonwealth – February 2014  
Progress Report on the Electronic Health and Human Resources (eHHR) Program—Virginia’s Medicaid Modernization Solution as of August 2013\*  
Report to the Joint Legislative Audit and Review Commission for the quarter April 1, 2013, through June 30, 2013\*  
Report to the Joint Legislative Audit and Review Commission for the quarter July 1, 2013, through September 30, 2013\*  
Report to the Joint Legislative Audit and Review Commission for the quarter October 1, 2013, through December 31, 2013\*  
Report to the Joint Legislative Audit and Review Commission for the quarter January 1, 2014, through March 31, 2014\*  
Revenue Stabilization Fund Calculations for the year ended June 30, 2013  
Review of Agency Performance Measures for the year ended June 30, 2012\*  
Review of Capital Outlay Funding and Cash Flow Processes – January 2014\*  
Review of Compliance with the Federal Payments in Lieu of Taxes (PILT) Act for the period October 1, 2012 through September 30, 2013  
Review of Retail Sales and Use Tax Collection and Distribution Processes – September 2013\*  
Review of the Governance Structure over the Virginia Railway Express – September 2013\*  
Review of the Management Agreement between CGI and the Department of Taxation – November 2013\*  
Review of Transportation’s Highway Asset Management and Maintenance – May 2014\*  
Special Review of the Department of Conservation and Recreation – June 2014\*

The following lists the general receivers, courts, magistrates, and state accounts audited during the period July 1, 2013 through June 30, 2014. An asterisk (\*) indicates the report includes audit findings and recommendations.

### General Receivers

Alexandria	Charlottesville*	Loudoun	Russell*
Arlington	Lee	Lynchburg	Wise/Norton

### General Receivers – Turnover Audits

Buchanan

### Circuit Courts

Accomack*	Chesapeake	Henry	Newport News	Rockbridge
Albemarle*	Chesterfield	Highland	Norfolk*	Rockingham*
Alexandria	Clarke	Hopewell	Northampton*	Salem
Alleghany	Craig	King and Queen	Orange*	Shenandoah*
Amelia	Cumberland	King George*	Page	Smyth
Amherst*	Dickenson	King William*	Patrick	Southampton
Augusta	Floyd	Lancaster	Petersburg*	Spotsylvania
Bath*	Fluvanna*	Loudoun*	Portsmouth*	Stafford
Bland	Franklin*	Louisa*	Powhatan*	Staunton
Bristol	Frederick	Lunenburg	Prince Edward	Surry
Brunswick*	Fredericksburg*	Lynchburg	Prince William*	Sussex
Buchanan*	Gloucester	Madison	Pulaski	Virginia Beach*
Buena Vista	Goochland	Mathews	Radford	Washington
Caroline	Grayson	Mecklenburg	Rappahannock*	Westmoreland
Carroll*	Greene	Middlesex	Richmond	Winchester
Charles City*	Greensville	Montgomery	Richmond	
Charlotte*	Hampton*	Nelson*	Roanoke	
Charlottesville*	Henrico	New Kent	Roanoke	

### Circuit Courts – Clerk Turnover Audits

Bristol	Cumberland	Powhatan	Richmond
Chesterfield	Halifax	Powhatan	

### General District Courts

Alexandria	King and Queen	Pulaski
Arlington	Loudoun*	Richmond (Civil Division)
Augusta	Mathews	Roanoke
Bristol	Mecklenburg	Rockbridge
Campbell	Middlesex	Rockingham
Carroll	Montgomery	Shenandoah
Culpeper	Nelson	Staunton
Fairfax	Newport News*	Virginia Beach
Fauquier*	Norfolk	Warren
Frederick	Page	Waynesboro
Hampton	Petersburg	Winchester
Isle of Wight*	Portsmouth	York

### Juvenile and Domestic Relations Courts

Alexandria	Isle of Wight	Roanoke
Arlington	King and Queen	Rockbridge*
Augusta	King William	Rockingham
Campbell	Loudoun*	Shenandoah
Carroll	Mecklenburg	Spotsylvania
Chesterfield	Montgomery	Staunton
Clarke	Nelson	Virginia Beach
Culpeper	Newport News	Warren
Fairfax	Norfolk	Waynesboro
Fauquier	Page	Winchester
Frederick	Portsmouth	Wythe
Gloucester	Pulaski	
Henrico	Richmond	

### Combined General District Courts

Bath	Emporia	Highland	Rappahannock
Buena Vista	Fluvanna	Hopewell*	Salem
Charles City	Franklin	Madison	Southampton
Colonial Heights	Grayson	Orange*	Surry
Craig	Greene	Prince George	
Dinwiddie	Greensville	Radford	

## Magistrates

Alexandria	Fauquier	Mecklenburg	Petersburg	Rockingham
Arlington	Frederick	Montgomery	Portsmouth	Shenandoah
Augusta	Greensville	Newport News	Pulaski	Virginia Beach
Carroll	Hampton	Norfolk	Roanoke	Warren
Charles City	Loudoun	Page	Rockbridge	York

## State Accounts

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

## State Accounts – Turnover Audits

Appomattox	Franklin	Norfolk	Rappahannock*
Bedford	Fredericksburg	Pittsylvania	Winchester
Fairfax	Grayson	Prince William	

# APA Staff

As of November 1, 2014

## Martha S. Mavredes

Auditor of Public Accounts

## Staci A. Henshaw

Deputy Auditor of Public Accounts

### J. Michael Reinholtz

Director

Acquisitions and Contract Management

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Budgeting and Performance Management

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Capital Asset Management

### George D. Strudgeon

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Compliance Assurance

### LaToya D. Jordan

Director

Comprehensive Annual Financial Report

### April V. Cassada

Director

Data Analysis

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Director

Higher Education Programs

### Roland N. Turner

Director

Human Resources and Business Operations

### Karen K. Helderman

Director

IT Project Management

### Goran G. Gustavsson

Director

Information Systems Security and Office Technology

### Laurie J. Hicks

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Local Government and Judicial Systems

### Zachary L. Borgerding

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Reporting and Standards

### Jennifer P. Bell Schreck

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Meghan R. Stott, Senior Auditor

## Human Resources and Business Operations

### Accounting

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## Information Systems Security and Office Technology

### Information Systems Security

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## Local Government and Judicial Systems

### Local Government

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