



# 2018 ANNUAL REPORT

## AUDITOR OF PUBLIC ACCOUNTS

Auditor of Public Accounts  
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# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

November 1, 2018

The Honorable Ralph S. Northam  
Governor of Virginia

The Honorable Thomas K. Norment, Jr.  
Chairman, Joint Legislative Audit  
and Review Commission

I am pleased to submit the **2018 Annual Report of the Auditor of Public Accounts**, which primarily covers audits we completed from July 1, 2017, through June 30, 2018. 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).

As detailed in our [2016 Annual Report](#), we finalized our 2015 through 2020 Strategic Plan in May 2016. Along with our new strategic plan, using a values-based leadership approach, we identified four core values that we believed best represented our Office and staff. We have reflected throughout this report how we believe our Office demonstrated those values during the year.

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

AUDITOR OF PUBLIC ACCOUNTS

# APA Values



## **Collaborative**

*We work together to create greater value.*



## **Engaged**

*We see what needs to be done and participate or become involved.*



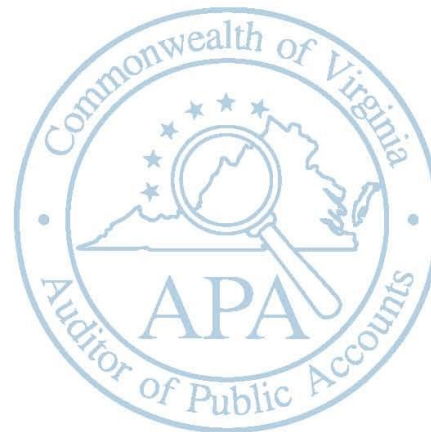
## **Knowledgeable**

*We are well-informed and insightful.*



## **Professional**

*We act in a manner that reflects favorably on ourselves, our co-workers, and the APA.*



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# *We are COLLABORATIVE*

*We work together to create greater value.*

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, and perform local fiscal distress monitoring. 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. In addition, we receive and follow up on reports of potential fraud. We highlight these activities in more detail below.

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, Hampton Roads Transportation Accountability Commission, Virginia College Savings Plan, Virginia Commercial Space Flight Authority, Virginia Port Authority (including Virginia International Terminals), Virginia Resources Authority, and the Virginia Tobacco Settlement Financing Corporation.

## Supporting Local Government

### *Local Fiscal Distress Monitoring*

#### Summary of 2017 Process and Follow up with Localities

Chapter 836 of the 2017 Virginia Acts of Assembly directs the Auditor of Public Accounts (the Office) to establish a prioritized early warning system to identify potential local fiscal distress within localities across Virginia and monitor accordingly on an annual basis. During 2017, we developed criteria for making a preliminary determination of fiscal distress based on an analysis of calculating ten key financial ratios using audited financial data from the localities' annual financial reports, as well as considering other qualitative factors, for the 171 localities required to annually report to our Office. This ratio analysis, referred to as the Financial Assessment Model (FAM), calculated an overall FAM score for each locality, which was an average score of the results of the ten ratios compared and ranked against all localities' ratio results. In this model, our Office evaluated each locality's ratios and FAM score results over a three-year trend for fiscal years 2014, 2015, and 2016. Using the fiscal year 2016 FAM score results, we developed a threshold to use as an indicator for making our preliminary determination of the need to perform further follow up with a locality that appeared to show signs of potential fiscal distress based on the ratio analysis. For all cities, counties, and the two towns having a separate school system, we set the threshold at a FAM score of less than or equal to 16 percent.

Based on the results of the FAM analysis, the Office identified the following eight localities for additional follow up during 2017:

- The Cities of Bristol and Richmond, and the Counties of Page and Richmond were identified based on their FAM scores meeting the 16 percent threshold.
- The Counties of Giles and Northumberland were identified due to their FAM scores trending significantly downward from the prior years.
- The Cities of Hopewell and Manassas Park were qualitatively identified, as they remain delinquent in submitting their 2016 annual financial reports and; therefore, could not be evaluated in the model.

For the eight localities where we made a determination of the need to perform additional follow up, we sent written notification to inform the local governing body and chief executive officer of our identification and preliminary determination to perform further review based on the results of the FAM analysis. This communication explained that the locality must notify our Office regarding its decision to allow our additional follow up and review through completion of an assessment questionnaire and further discussions. The Office performed a review of the completed questionnaires and held additional follow up discussions with locality officials for the Cities of Bristol and Richmond, and the Counties of Giles, Northumberland, and Richmond. The Office did not perform additional follow up with the County of Page, as the county declined our request to complete the questionnaire and participate in our further review. In addition, the Office deferred further review and follow up with the Cities of Hopewell and Manassas Park, as they were still working during 2018 to finalize their fiscal year 2016 and 2017 annual financial reports. Accordingly, we encouraged the cities to continue to focus their efforts on completing their outstanding financial reporting requirements, prior to completing our assessment questionnaire.

Our additional follow up process focuses on qualitative factors impacting a locality's situation to gain information related to budget processes, debt, borrowing, expenses and payables, revenues and receivables, staffing, and any other external variables contributing to a locality's financial position, through use of the financial assessment questionnaire and further discussions with locality officials. The financial assessment questionnaire is a key component of our follow up process as it is designed to examine the more qualitative and external factors unique to each locality that are not easily measured in a financial ratio, along with understanding policy and procedural aspects that contributed to a locality's FAM score result in the ratio analysis. The primary objective of our follow up with each locality identified is to determine whether a locality is experiencing a situation of fiscal distress that warrants further assistance or intervention from the Commonwealth.

Upon completion of our follow up with a locality, if a situation of fiscal distress is identified, the Office is required to formally notify, in writing, the Governor, Chairmen of House Appropriations and Senate Finance Committees (Money Committees), and the locality's governing body, concerning any specific issues identified at the locality that may benefit from further assistance or intervention by the Commonwealth. At that point, the process is administered by the Governor's office and the Money Committees for further consideration of any plan and action by the Commonwealth to help address the

locality's fiscal distress situation. Additionally, should a locality decline any further follow-up and review from our Office as a result of our preliminary determination, we notify the Governor and chairmen of the Money Committees accordingly.

During March 2018, after completing the follow up process with the identified localities noted above, our Office issued the [Local Government Fiscal Distress Monitoring Report](#), which described an overview of the legislative requirements for this process, background on the process and ratio analysis that our Office implemented during 2017 to initially develop an early warning monitoring system, the results of our reviews performed with specific localities identified as part of our analysis during 2017, and plans to refine our analysis to further enhance the early warning monitoring system for future years. This report provided extensive detail on our follow up process and specific details and factors that we discovered and discussed with each locality based on their individual performance in our analysis.

During our follow up process in 2017 with the City of Richmond and the Counties of Giles, Northumberland and Richmond, we obtained an understanding of the specific issues and factors that contributed to their low FAM score results or significant downward trends in our ratio analysis, and discussed the policies and plans they have in place to continue to move forward and improve their financial position. As a result of our follow up, the Office concluded that these four localities do not appear to be experiencing a situation of fiscal distress that would warrant further assistance or intervention from the Commonwealth; accordingly, our Office made no further notification or recommendation relating to fiscal distress.

During follow up with the City of Bristol in 2017 and early 2018, our Office observed two primary issues that we concluded are contributing to a situation of fiscal distress at the city: issues specific to the operational sustainability of its solid waste disposal fund and the debt and future revenues related to The Falls commercial development project. Accordingly, we issued written notification to the Governor, Money Committees, Secretary of Finance, and city officials, detailing the specific issues and recommending that Bristol would warrant further assistance from the Commonwealth to help assess and stabilize these areas of concern with the city's financial situation. In early 2018, members of the offices of the Governor and Secretary of Finance had further discussions with our Office and the City of Bristol, which resulted in a recommendation from the Secretary of Finance to the Governor and Money Committees to approve Commonwealth assistance to the city. Based on our Office's formal recommendation regarding the areas of fiscal distress at the City of Bristol, the Secretary of Finance provided written notification in April 2018 to the city outlining the Governor's approval of Commonwealth assistance in the form of providing state funding to reimburse the city for the actual costs, up to \$100,000, for the city to hire an outside consultant to assist the city with an assessment of its solid waste fund, along with a professional consultant to assist with a long term financial assessment of The Falls project.

In support of the local fiscal distress monitoring process, during fiscal year 2018 our Office performed a number of outreach efforts to actively correspond with and educate the localities and keep all stakeholders well informed of this process. The Office made presentations to multiple state, local, and national groups including the Joint Subcommittee on Local Government Fiscal Stress, Local Government Fiscal Distress Workgroup, Virginia Government Finance Officers' Association, and a national Government Sustainability Workgroup hosted by Pew Charitable Trusts and the Michigan State University Extension Center for Local Government Finance and Policy. We also had meetings with public officials and their financial consultants from multiple cities and counties, in addition to the multiple meetings and discussions we held with the individual localities identified for follow up as part of the 2017 analysis. As a result of this outreach, our Office continued to receive valuable feedback and additional insight to consider and assist our efforts as we moved forward in 2018 with implementing various refinements to enhance our ratio analysis and develop a more precise model for annually monitoring and identifying potential fiscal distress at Virginia local governments.

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#### Refinements to the Ratio Analysis and Early Warning System Model

During 2018, the Office worked on several areas to improve and enhance the ratio methodology and overall approach to our fiscal distress monitoring model. First, we determined it was necessary to change how we analyze each locality's performance or results of the calculated financial ratios; in particular, we have decided no longer to use the FAM model from 2017. Based on countless feedback the Office received about the FAM score analysis, we realized that there appeared to be a prevalent misunderstanding about our use and the intent of the FAM score calculation. As a result of the misunderstanding, some stakeholders and localities were inappropriately applying the FAM scores; for example, using the scores to compare localities better or worse against each other or interpreting a higher FAM score to mean it was a rating of fiscal health, which were all contrary to the intent of our analysis. Accordingly, during 2018 and going forward for future analysis, we will not use the FAM score percentage as the threshold to determine the need for additional follow up with a locality, and we will no longer use the FAM ranking or comparison methodology when evaluating the financial ratio results.

For 2018, we have revised our ratio analysis to focus on a new methodology, which primarily analyzes each locality's own ratio performance as it stands alone on an individual basis, and does not compare the ratio results from one locality to another. Again using data directly from the locality's audited annual financial report, the new methodology calculates financial ratios for each locality. Based on the performance of the ratios, the model assigns a points based, quantifiable evaluation for varying percentage levels for the ratio's performance. For example, if Ratio X indicates a weak or undesirable outcome then this ratio will receive a higher level of points. Conversely, if the outcome is a strong, desirable level of performance then Ratio X would receive no points, or if the outcome is more of a fair or adequate level of performance, Ratio X would receive an amount of points somewhere between the



low and higher level. Overall, a higher number of points for each ratio, and in total for all ratios combined, indicates the locality is showing an overall weak or undesirable performance in the ratio analysis and we will perform further qualitative analysis on those localities, as discussed later in this section.

In the points based evaluation, each ratio will be weighted according to the ratio's relative importance that the Office has internally established based on our prior year analysis, discussions with Virginia state and local professionals, research of other states' models, and our general understanding of the data and ratios for Virginia's localities. Our judgment and consideration applied to the ratio percentage levels for weak, adequate, or strong performance results is also based on our research and discussions with other states and professional groups, along with common industry benchmarks established by professionals, such as those set by bond rating agencies and in similar fiscal analysis from organizations like the International City/County Management Association.

As another update to the model in 2018, we reexamined the ten ratios that were calculated as part of the 2017 FAM score model and determined there was duplicative analysis across some of the ten ratios and that there were ratios that may not be the most beneficial for our analysis. Accordingly, we determined that our analysis would benefit from including new ratios to look at different factors. We kept five ratios from the prior analysis that we felt primarily captured some of the main issues discussed during the follow up process with the localities identified in 2017. We also added seven new ratios to our 2018 analysis, to include ratios that analyze the change in overall net position and unassigned fund balance from year to year; an operations ratio, which measures whether a locality's annual revenues were sufficient to pay for annual operations; and ratios that examine a locality's outstanding debt level and annual debt service payments. Finally, we added a new ratio that looks at the locality's dependency on other governmental revenues from state and federal funds, along with a ratio that examines a locality's business-type, enterprise activity and whether those activities are self-sustaining from year to year. These enterprise activities may include water and sewer, landfill, storm water, or other non-essential activities such as a golf course or theater.

In addition to the changes made to the ratio analysis, we have also updated the model to now include an assessment of demographic and other qualitative factors as part of our final evaluation to identify any locality where we determine the need for additional follow up through the same process of using our financial assessment questionnaire and one on one discussions with a locality. This qualitative evaluation will focus on those localities we have identified in the ratio analysis as having a high number of total points for all twelve ratios. The qualitative analysis will focus on reviewing trends in demographic factors, such as growth or decline in population, median household income, and the assessed value of a locality's real estate and tangible personal property, along with reviewing whether there has been a decrease or increase in factors such as unemployment rate and poverty rate. We will also analyze how a locality compares to the national and state level averages for several of these demographic factors.

Our qualitative, external analysis will also incorporate trends from other local government assessments, to include a locality's fiscal stress index calculated by the Virginia Commission on Local Government, along with reviewing trends from the Virginia Department of Education's calculations for the Composite Index and a locality's Required Local Effort and Required Local Match, which focus on

analyzing the local school divisions' ability to pay education costs that are fundamental to the Commonwealth's Standards of Quality. Lastly, this analysis will incorporate any external, economic or other qualitative factors and information that the Office is made aware of either through discussions with the locality or other state officials; from our continual review and monitoring efforts of information made public in the news or in board or council meetings; or through other information we gather from a more in depth review of the locality's audited financial report, such as management's discussion and analysis or the footnote disclosures. After completion of the qualitative analysis phase of the model, the Office will then make a preliminary determination of the need to perform further follow up with a locality, which will be based on the results of both the ratio analysis and the demographic and qualitative analysis.

For 2018, we have completed the first phase of our analysis in calculating the twelve financial ratios based on fiscal year 2017 audited financial statement data for 37 cities, all 95 counties, and the 38 towns required to report to our Office (towns having a school system or over the 3500 population threshold). We then reviewed the localities with a high number of points based on the fiscal year 2017 ratio analysis. We set a threshold this year to review those localities having a total of 30 points or higher as part of our further qualitative analysis, or second phase of the model for reviewing the demographic and other qualitative factors. We determined a 30-point threshold as the maximum number of total points this year based on our overall review of the ratio analysis and application of professional judgment. The maximum point threshold may vary from year to year depending on the performance of the ratios each year, along with any other external factors that may impact our analysis. As of the date of this report, we were not able to calculate the new model ratios for the City of Hopewell, as they still remain delayed in completing their 2017 audit and financial report. Accordingly, we plan to qualitatively include Hopewell again as part of our 2018 analysis until we receive their 2017 audited financial report for further review.

We are currently finishing our final review of those localities being analyzed in the second, qualitative phase, of the model; upon completion of this analysis, we will proceed with making a final determination of any locality identified for further follow up. In early December, we anticipate making contact with the local governing body and management for any locality identified this year for our further follow up process. We also plan to correspond with all other localities that are not identified for further follow up, in efforts to keep all local officials and management updated concerning the changes we have made in 2018 to our early warning system and monitoring process. In early 2019, we will then issue a formal report to summarize the updates made to the ratio methodology and model used for our analysis during 2018, along with reporting the results of any follow up performed with localities identified during this year's analysis.

### *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 CPA firms must follow when auditing local governments. The specifications assist state agencies in making sure that the auditing firms understand and include audit procedures of state grants and contracts as well as detail how auditors should perform audit work unique to Virginia local governments.

Over the past couple of years, we have started efforts for organizing a work group to begin reviewing the guidelines and audit requirements to determine where we can improve efficiencies to best meet the objectives of the specifications. This work group will consist of key management and audit managers from our Office, a selection of auditing firms, and representatives of the applicable state agencies. We are currently working to facilitate discussions during early 2019 that will focus on how the auditing firms approach the specifications through use of auditing best practices, materiality scopes, and sampling methodologies, as well as obtaining feedback regarding the state agencies' expectations and reliance on the audit procedures for the Virginia compliance requirements.

### *Providing Support for Pension and OPEB Standards*

As discussed later in the [Pensions and Other Postemployment Benefits](#) section of the report, the Commonwealth and its localities implemented GASB Statement No. 68 related to pensions beginning in fiscal year 2015 and GASB Statement No. 75 related to other postemployment benefits (OPEB) effective for fiscal year 2018. Both of these standards have had a significant impact on their financial statements. Throughout 2018, our Office continued to provide local governments, as well as their auditing firms, critical information to ensure compliance with these standards for their financial statements.

Annually, the Virginia Retirement System (System) provides the actuarial valuation reports, schedules of the applicable pension and OPEB amounts, footnote disclosure information, and other financial reporting guidance to the participating local government employers for their financial statements. Likewise, our Office publishes the reports that include our audit opinions over the plan schedules and applicable pension and OPEB amounts for the various pension and OPEB plans in which localities participate. All of this information is available on the [Pension and OPEB Standards](#) section of our website.

Our Office continued to provide hands-on support to assist the local governments in understanding the substantial changes involved with these standards by providing technical guidance and outreach to keep the local governments, political subdivisions, and the auditing firms updated on important pension and OPEB information. Also, since local governments can administer their own plans or participate in other plans not administered by the System, our current outreach has continued to highlight the importance of the localities proactively communicating with the other plan administrators and external auditors to inquire about audit assurances and ensure they timely receive important financial reporting information for their financial statements.

### *Quality Control Reviews*

The Office is not responsible for procuring a locality's auditing firm or overseeing its work during the process. However, annually, our Office selects a sample of the CPA firms used by the localities and conducts a post issuance quality control review to ensure the firms' audit work complies with auditing standards and 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 CPA 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 2018, the Office completed reviews of nine local government audits at six CPA firms. We issued six reports with a rating of pass and two reports with a rating of pass with deficiencies. One report and conclusion of our review is still pending final follow up with the firm. Table 1 below shows the deficiencies we noted during the review of the firms that received a rating of pass with deficiencies.

**CPA Firm Deficiencies**

Table 1

Area of Deficiency	# of Firms Cited
Audit Working Paper Documentation	2
Linkage Between Risk Assessment and Audit Test Work	1
Linkage Between Review of Financial Statements and Audit Test Work	1

During presentation opportunities to local government groups this year, as well as in guidance published in our Uniform Financial Reporting Manual, we continued to highlight our recommendation that localities, in performing due diligence when contracting with a public accounting firm, incorporate the review of our quality control reports issued for prospective auditing firms. We also emphasized that localities should evaluate the quality of the firm by reviewing the American Institute of Certified Public Accountants (AICPA) most recently published peer review results of the firm, which are publicly available on the AICPA’s website. To further assist localities with their assessment to ensure they are contracting with a quality audit firm for their financial statements audits, we have a section on our website providing the quality control reports we have issued over CPA firms auditing the Commonwealth’s localities for the last five years of reviews. These reports are available under the [Quality Control Review Reports](#) page on the Local Government section of our website.

Additionally, to address compliance with the requirements over federal funds as part of our quality control review process, we continued our analysis from the prior years to review the Single Audit reports related to federal funds across 144 Virginia local governments that were required to issue this report for the fiscal year 2017. We obtained the localities’ report data for the years 2015 through 2017 from the Federal Audit Clearinghouse and performed various data analytics designed to detect non-compliance with specific federal auditing and reporting requirements. Based on the results of our analysis over fiscal year 2017 audits, our Office found no discrepancies in the data that would indicate potential non-compliance related to Single Audit testing and reporting for the local government audits.

### *Local Report Information on Our Website*

The Local Government section of our website already provides the audited financial statements and the internal control and compliance reports for the 171 localities required to annually report to the Office. In an effort to increase transparency and provide valuable information for the Commonwealth and its constituents, our Office provided additional local government information and reports that we receive annually as part of our website in 2018.

In addition to the locality's audited financial statements and reports on internal control and compliance, a locality may receive a written management letter from its auditor. A separate letter may be issued to emphasize other reporting matters that the auditing firm judges to be important enough to bring to management's attention but not at a significant level for inclusion in the locality's audit report. Chapter 836 of the 2017 Acts of Assembly requires that our audit specifications include the requirement that any auditor communication related to other internal control deficiencies or financial matters, which merit the attention of locality management and the governing body, must be communicated in the form of an official, written management letter. Because this letter may provide additional insight regarding internal control deficiencies over financial matters, we believe that making the management letters available on our website provides useful information alongside the local governments' audited financial reports.

This year we completed our initiative to also provide on our website the audited financial reports that our Office receives annually from an authority, board, district, commission or other political subdivision in accordance with §30-140 of the Code of Virginia. Additionally, Chapter 780 of the 2016 Acts of Assembly changed the annual local storm water utility reporting, where an applicable locality having a storm water utility program pursuant to §15.2-2114 of the Code of Virginia is now required to file its storm water utility report with our Office beginning with the October 1, 2017, reporting. Accordingly, we continue to provide these annual reports on our website along with the other local government required annual reporting.

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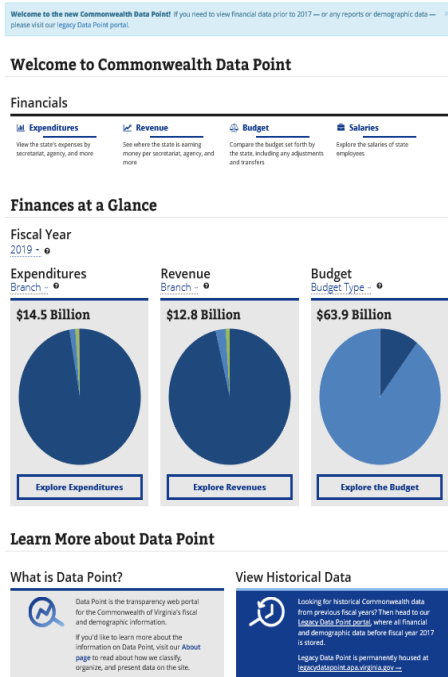
*To increase transparency, we are now including the audited financial reports that our Office receives from an authority, board, district, commission or other political subdivision in accordance with §30-140 of the Code of Virginia.*

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### Maintaining Commonwealth Data Point

Section 30-133 of the Code of Virginia requires our Office to compile and maintain a searchable database on our website that contains certain state expenditure, revenue, and demographic information. We meet this Code requirement through our operation and maintenance of [Commonwealth Data Point](#). We update Commonwealth Data Point quarterly with data obtained from agencies, higher education institutions, and from other sources, as needed. We also include information about local government financial activity that we obtain from our Comparative Report on Local Government. In addition, we research and respond to citizen's inquiries about information on Commonwealth Data Point.

During 2017, the Auditor of Public Accounts launched its first phase of a full redesign of Commonwealth Data Point. The site now includes over two years of expenditures, revenues, budgets, and salaries; clear, concise visualizations; and contact information for each agency, all built upon a platform that complies with modern web standards.



The data currently used in Commonwealth Data Point comes primarily from the Commonwealth’s accounting and financial reporting system. The fiscal dashboards include a visualized view of each discrete level of data, whether it’s branches of government; the executive secretariats; specific agencies; or expense, revenue, or budget types. When a user begins to drill down in one of the fiscal dashboards, they are provided with a breadcrumb trail of what previous pages they’ve viewed. This allows users to see exactly how figures break down into subcategories.

For phase two of Commonwealth Data Point, we plan to implement a search feature along with transitioning the remaining financial and demographic data required by the Code of Virginia. We have also begun discussions regarding the implementation of legislation passed during the 2018 General Assembly session requiring additional salary information. As written, the legislation would require a unique identifier per employee along with salary, bonuses, and total compensation. This legislation has a delayed effective date of July 1, 2019.

To access information relating to fiscal years prior to 2017, users can visit the archived version of Data Point, now known as Legacy Data Point. Commonwealth Data Point can be found at [datapoint.apa.virginia.gov](http://datapoint.apa.virginia.gov) and Legacy Data Point can be found at [legacydatapoint.apa.virginia.gov](http://legacydatapoint.apa.virginia.gov).

### 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. Table 2 on the following page outlines the volume of activity, including a breakdown of new reports by type of entity, during fiscal years 2016 through 2018.

## Fraud Report Activity

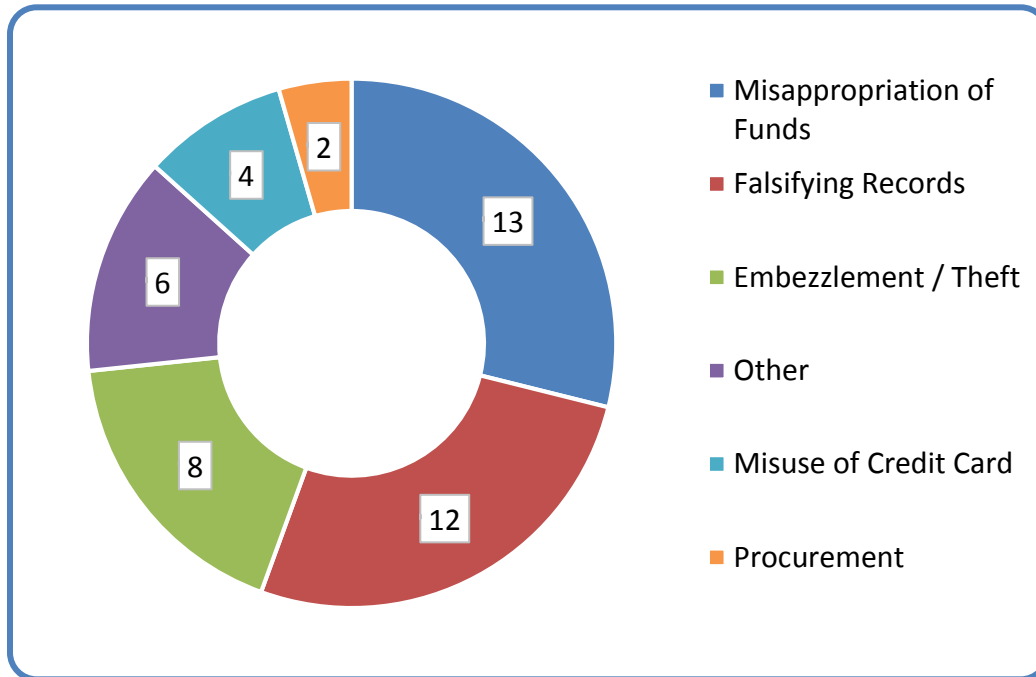
Table 2

	FY 2016	FY 2017	FY 2018
Outstanding cases at beginning of fiscal year	18	19	16
New reports:			
Courts	1	1	4
Local Governments	7	9	5
Institutions of Higher Education	12	13	24
State Agencies	8	13	12
Total New Reports	28	36	45
Closed reports	27	39	32
Active cases at end of fiscal year	19	16	29

Chart 1 provides a breakdown of the new reports received during fiscal year 2018 by type of fraud.

### New Reports in Fiscal Year 2018 by Type of Fraud

Chart 1



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 embezzlement/theft. Table 3 below shows the breakdown of their resolution by fiscal year.

## Closed Reports

Table 3

Disposition	FY 2016	FY 2017	FY 2018
No Conviction / Action	8	20	14
Conviction	4	1	1
Conviction and Recovery	1	2	1
Administrative Action	9	14	13
Administrative Action and Recovery	5	2	3
<b>Total</b>	<b>27</b>	<b>39</b>	<b>32</b>



## We are ENGAGED

*We see what needs to be done and participate or become involved.*

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 2018, our organization of 132 auditors and support staff:

- Issued nine special reports;
- Issued 88 reports for audits of state agencies and institutions, issuing findings for 42;
- Issued 19 letters containing internal control questionnaire review results, including findings for 15;
- Reviewed 196 General, Juvenile and Domestic Relations, and Combined District Courts, issuing findings for 53;
- Reviewed 100 Circuit Courts, issuing findings for 31;
- Reviewed 44 General Receivers and Magistrate Districts, issuing findings for six; and
- Reviewed Constitutional Officers at 144 localities, issuing findings for 14.

Our reports on these audits and other reviews include recommendations for improving internal controls and addressing non-compliance with state and federal regulations and provide information from Commonwealth, Secretarial, and Agency perspectives. Our special project topics in 2018 included local government fiscal distress monitoring, internal control questionnaire summary results, payroll, information systems development, and capital project cash flow requirements.

The following section features the results of some of these audits completed during fiscal year 2018. [Appendix B](#) 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), Higher Education Institutions, and the Virginia Retirement System. 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 procedures over the financial activity at over 28 different agencies and universities, obtaining coverage over \$60 billion in revenues and \$56 billion in expenses for the Commonwealth and its components. Through this work, we also gained coverage over \$42 billion in government assets, consisting primarily of capital assets, cash and investments, and receivables; \$84 billion in pension and other employee benefit trust fund assets; as well as \$19 billion in government liabilities.

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*The Single Audit report serves to communicate not only findings related to federal compliance testing for CAFR material and other agencies, but also internal control and compliance matters related to the CAFR audit.*

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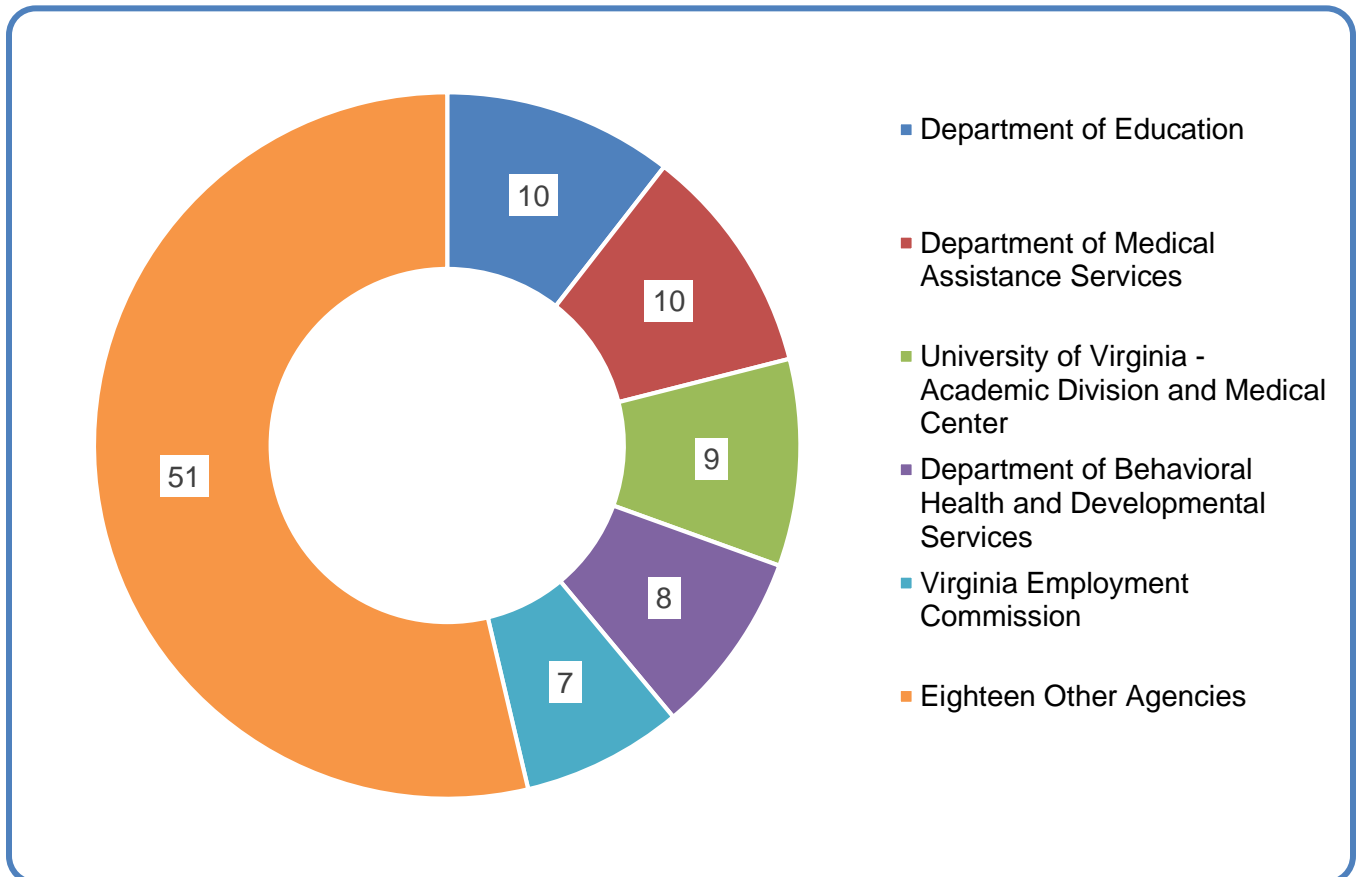
During our audits of the CAFR material agencies, we also perform work to support the Commonwealth's Single Audit of federal funds. The Single Audit report serves to communicate not only findings related to federal compliance testing for these and other agencies, but also internal control and compliance 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 conclusion of the CAFR audit, 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. Most 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 2017, we evaluated \$13.5 billion in federal expenses for testing. To complete the Single Audit, we audited 12 federal programs administered by the Commonwealth.

Our testing for the CAFR and Single Audit resulted in 95 findings with recommendations. As seen in Chart 2, of the 95 findings, 44 findings (46%) are from five entities.

**CAFR and Single Audit Findings by Agency**

Chart 2



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.

Chart 3 summarizes the numbers and severity of findings reported in the Single Audit for fiscal years 2014 through 2017. Overall, the number of findings reported for fiscal year 2017 increased from fiscal year 2016 by three and the number of material weaknesses increased from 11 to 12.

**Number and Severity of Findings Reported in the Single Audit  
Fiscal Years 2015 through 2017**

Chart 3

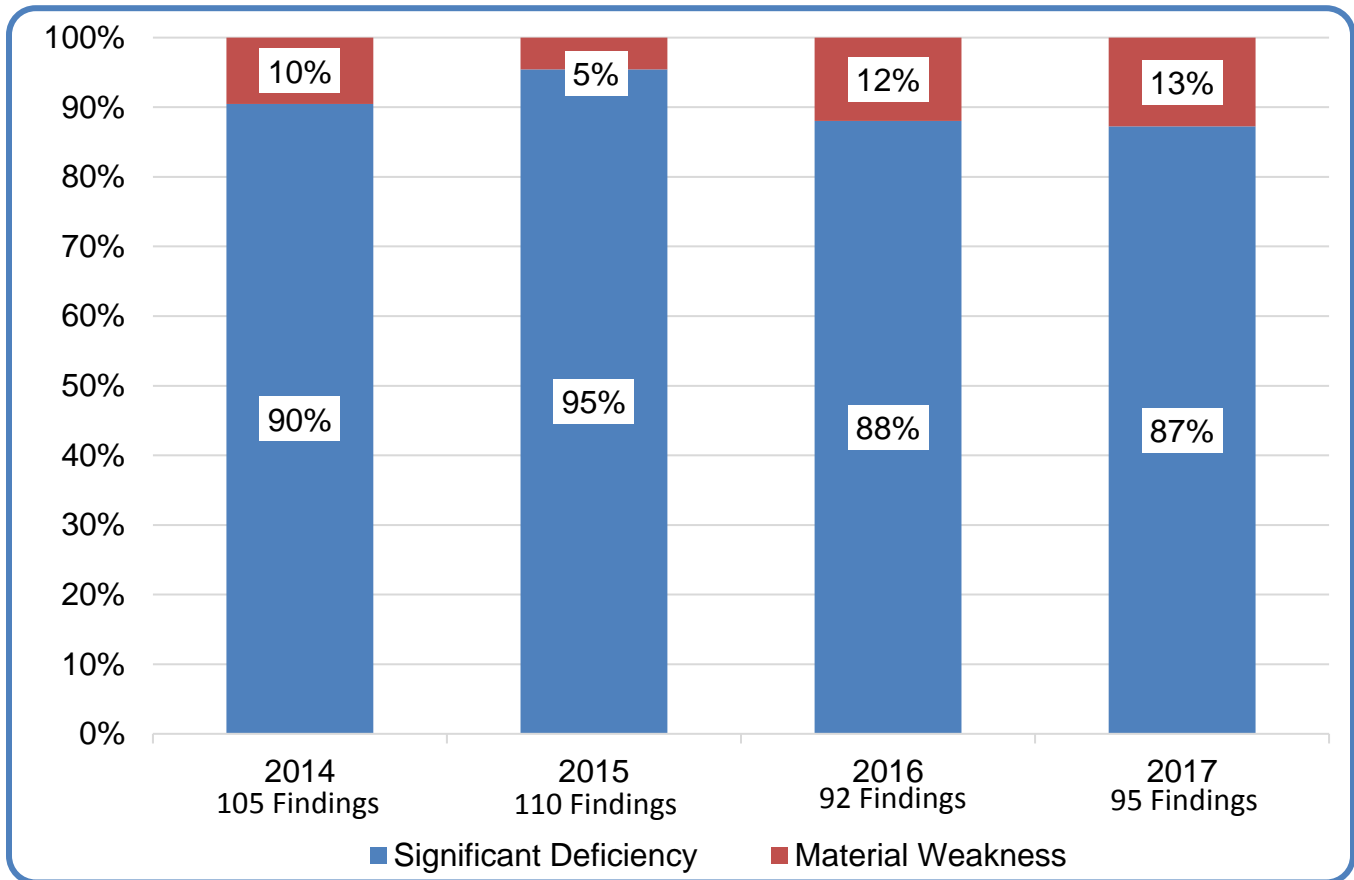


Table 4 shows the agencies with these 12 material weaknesses. The Department of Medical Assistance Services (Assistance Services) has 42 percent of the Commonwealth’s material weaknesses with five. Additionally, the schedule shows that seven of the Commonwealth’s material weaknesses are within the category of Financial Reporting. Finally, the schedule shows that two categories that are information systems security related collectively contribute four of the Commonwealth’s material weaknesses.

## Material Weaknesses by Agency and Category

Table 4

	Education	Medical Assistance Services	Motor Vehicles	Treasury	Transportation	Small Business Financing Authority	Grand Total
Access Control		3					<b>3</b>
Audit And Accountability		1					<b>1</b>
Federal Award Findings And Questioned Costs						1	<b>1</b>
Financial Reporting	2	1	1	1	2		<b>7</b>
<b>Grand Total</b>	<b>2</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>12</b>

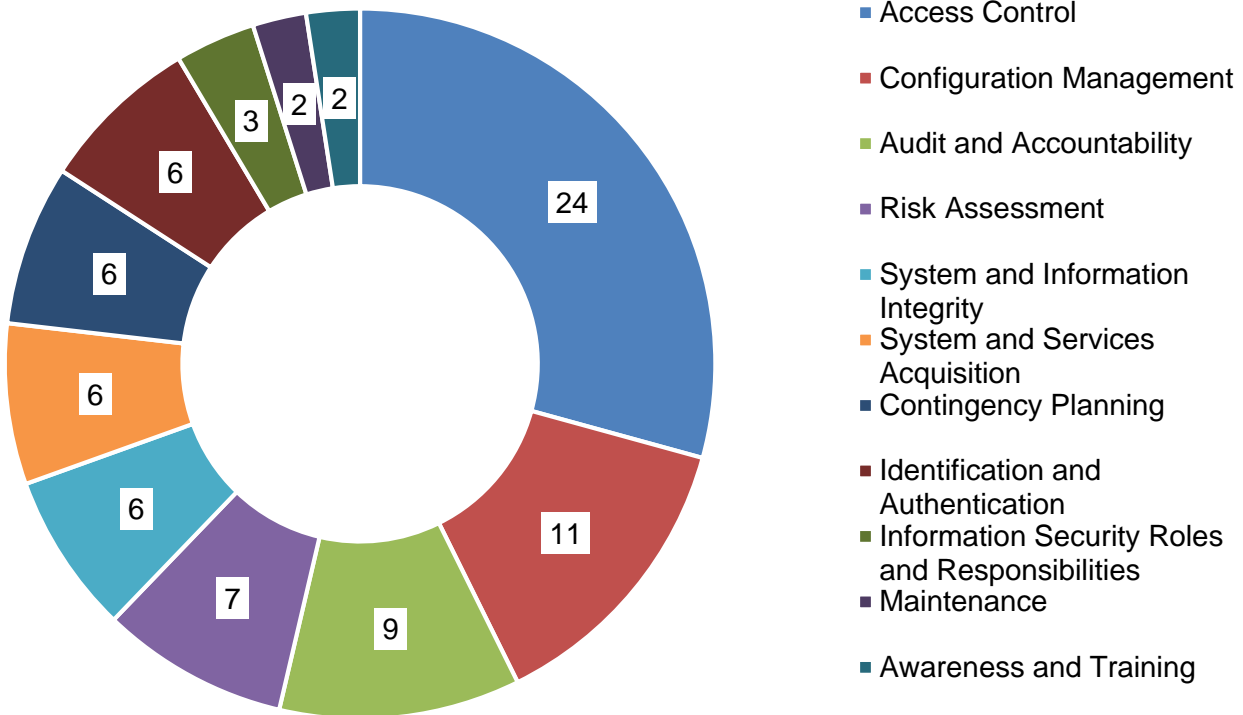
Information systems security related findings represent 55 (or 58%) of the total findings for the Commonwealth. We review information systems security controls as part of our audits since the information we audit is stored in systems. The specific information security controls that we audit in a particular fiscal year depend on overall audit objectives, scope, and risk. Therefore, we do not audit the same information systems security controls across all agencies in one fiscal year.

Chart 4 on the following page provides more information about the nature of these findings indicating the applicable control family. The Commonwealth of Virginia’s Information Security Standard, SEC 501 (Security Standard) adopts the Information System Security Control Families from the National Institute of Standards and Technology (NIST) to categorize controls that the Commonwealth is required to apply to its information systems. According to NIST, a control family “contains security controls related to the general security topic of the family. Security controls may involve aspects of policy, oversight, supervision, manual processes, actions by individuals, or automated mechanisms implemented by information systems and devices.”

Finally, once again, we included two listings of all findings in Appendix III of the Single Audit. The first list organizes all findings by topical area and the second list organizes all findings by the applicable entity. A reader of the Single Audit report can use these lists to analyze audit findings by topical area or agency and to obtain a finding’s number, which the reader can use to locate more information about a finding within the Single Audit report. Access the [Single Audit](#) report on our website.

## Information Systems Security Findings by Control Family

Chart 4



*Note: Sixteen findings reported deficiencies with multiple control families. For this graph, these deficiencies are broken-out to show each control family impacted.*

## Pensions and Other Postemployment Benefits

### *Pensions*

In addition, to performing the annual audit of the Virginia Retirement System's (System's) financial statements, as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 in fiscal year 2015, which covers accounting and reporting of pension activity by employers, we have continued to include over three thousand additional hours in our annual work plan to audit the requirements of the pension standards. This includes additional hours for the System audit and the individual agency and higher education institution audits.

*Our annual work plan continues to include over three thousand additional hours as a result of recent pension standards. In order to meet the ongoing needs of employers regarding pension information, we anticipate comparable levels of effort in the future.*

At the System, we have expanded our annual work to include a review of various schedules prepared by the System's actuary for use by the Commonwealth's agencies and higher education institutions as well as its localities. We also have to perform additional testing of census data maintained by the System. In addition, at the individual agency and higher education institution audits, we now

have to perform audit work surrounding the census data they provide to the System and, where applicable, ensure they appropriately reported the activity in their individual financial statements. Further, we have expanded our guidance and reporting requirements related to local government audits. See the [Supporting Local Government](#) section of this report for more information on our efforts with regard to the Commonwealth's localities.

### *Postemployment Benefits Other Than Pensions*

Similar to the standards addressing accounting and financial reporting for pension plans and pension activity by employers, GASB issued new standards for accounting and reporting for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, which covers accounting and reporting by postemployment benefit plans other than pension plans, was effective for fiscal year 2017, and GASB Statement No. 75, which covers participating employer accounting and reporting of postemployment benefits other than pensions, is effective for fiscal year 2018. The new standards will have a significant impact on the liabilities reported in the financial statements of the Commonwealth and its localities beginning in fiscal year 2018.

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*The new standards for other postemployment benefits will have a significant impact on the liabilities reported in the financial statements of the Commonwealth and its localities beginning in fiscal year 2018.*

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The System administers all but one of the Commonwealth's other postemployment benefit plans including Group Life Insurance, the Retiree Health Insurance Credit Program, the Disability Insurance Trust Fund, the Line of Duty Death and Disability Program, and the Virginia Local Disability Program. The remaining program, Pre-Medicare Retiree Healthcare, is administered by the Department of Human Resource Management (Human Resource Management). Some state and local entities also administer their own plans or participate in plans administered by other entities and they are responsible for ensuring they comply with the new standards related to these plans.

At the System, we included 1400 additional hours in the work plan to audit the implementation of GASB Statement No. 75. An additional 900 hours were included at Human Resource Management to audit the implementation of the new standard. We are able to utilize some work we currently perform over census data on the System, agency, and higher education institution audits related to pensions to support our work over other postemployment benefits. The additional hours for the System and Human Resource Management primarily included review of the other postemployment benefit plan schedules and the related actuary reports. Having now been through the initial year of implementation, we anticipate a marginal reduction in the number of hours required for the audits of the GASB Statement No. 75 schedules in future work plans.

### *Pension and OPEB Resources*

Annually the Virginia Retirement System provides the actuarial valuation reports, schedules of the applicable pension and other postemployment benefit amounts, footnote disclosure information, and other financial reporting guidance to the participating state and local government employers for their financial statements to enable them to comply with GASB Statement Nos. 68 and 75. Likewise, once our work is complete, our Office publishes the reports that included our audit opinions over the

plan schedules and applicable pension and other postemployment benefit amounts for the various pension and OPEB plans. All of this information is available on the [Pension and OPEB Standards](#) section of our website. In addition, Human Resource Management provides the actuarial valuation report, schedule of applicable other postemployment benefit amounts, footnote disclosure information, and other financial reporting guidance for the plan it administers to participating employers to enable them to comply with GASB Statement No. 75 when preparing their financial statements. Likewise, once our work is complete, our Office publishes the report that includes our audit opinion over the plan schedule and applicable other postemployment benefit amounts for the Pre-Medicare Retiree Healthcare plan.

**Higher Education Institution Audits**

During the past year, we completed fiscal year 2017 financial statement audits related to the Commonwealth’s higher education institutions, including the Virginia Community College System and its 23 community colleges. While we issued unqualified opinions on the financial statements of each of these institutions, we included 112 internal control and compliance recommendations distributed between 12 of the audit reports. Those recommendations addressed a variety of issues as summarized in Table 5 below. We classified four of these findings as material weaknesses in internal control and twenty-six of the findings reported during fiscal year 2017 represent repeat findings from the prior year, including findings where institutions have made limited or partial progress in resolving previous recommendations.

**Higher Education Institution Audit Findings**

Table 5

Internal Control and/or Compliance Area	Number of Institutions with Findings
Information Systems Security	27
Federal Student Aid	13
Employee Termination Procedures	11
System Access	10
Capital Asset Inventory and Management	7
Retirement Reconciliation Process	3
1500 Hour Rule Requirements	3
Miscellaneous Remaining Areas	38

As part of our Single Audit of federal funds, we tested research and development activities for compliance with federal statutes at the University of Virginia, Virginia Commonwealth University, and Virginia Tech. We also performed a reaccreditation review at three community colleges and Richard Bland College and additional procedures at 12 higher education institutions over their National Collegiate Athletics’ Association activities.

Following our audits at each of the four-year institutions of higher education, we published a summary of compliance with Code of Virginia §23.1-1309 related to subsidization of intercollegiate athletics department activities through student fees. This was the first year reviewing institutions’



compliance with the legislation and we determined all institutions complied with the percentage requirements outlined by subsection C of the applicable Code section.

We also reviewed institutional activities related to implementing recommendations made by JLARC and included in 2017 Acts of Assembly, Chapter 836 §4-9.04a. We determined many institutions have completed activities related to these recommendations, while some activities related to developing targets for spans of control in supervisory roles remain in progress at several institutions.

Lastly, we published our first [Higher Education Comparative Report](#), which uses ratio analysis to assess the financial stability and effectiveness of Virginia’s public four-year higher education institutions. The report includes several financial resource ratios and financial activity ratios designed to assess fiscal health. As is widely accepted practice in analyzing higher education finances, we summarize overall fiscal health by combining several ratios to create the Composite Financial Index for each institution. The Composite Financial Index provides an overall metric by which institutions can assess fiscal health against an established benchmark. We plan to update this report annually to analyze trends in institution finances to assess how shifts in higher education trends affect fiscal stability or volatility.

#### *New Staffing Model for Higher Education Institution Audits*

We audit our three largest higher education institutions to support our CAFR audit. These audits are completed prior to the December CAFR deadline. In order to improve timing and efficiency in our remaining higher education institution audits, we implemented a new staffing approach in January 2018. This new approach prioritized projects based on deadlines for board meetings or other mandatory deadlines and size in relation to our overall work plan. We were successful in our new approach, completing the audits of all four-year higher education institutions by early June, making our reports timelier for both management and the board members in performing their oversight process. In the prior year, we did not complete all of these audits until September.

## 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.

### Being Innovative in our Approach to Non-mandatory Audits

There are approximately 70 agencies that are subject to audit by our Office that do not have a mandatory annual audit requirement and, generally these agencies do not have financial activity that is required to be audited in support of the CAFR or Single Audit of federal funds. Historically, we have audited these agencies on a three-year cycle focusing on the significant financial cycles of the agency.

While we did perform some risk analysis in determining when to bring the agency into the audit cycle, the timing of audit was primarily driven by the time period that had elapsed since the last audit.

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*We have implemented a new process for auditing cycled agencies, which are agency that do not have a mandatory annual audit requirement.*

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During the last year, in order to better utilize our Office's staffing resources, we implemented a new risk based approach for auditing these agencies, which we refer to as cycled agencies. Under this approach, annually we perform a risk analysis for all of the cycled agencies considering certain criteria including, but not limited to, relative amount of revenues and expenses, activity and number of users for purchasing and fuel cards, number of prior audit findings, and turnover in key positions.

We also look for unusual trends or changes in financial activity. Based on this analysis, we divide the agencies into two pools based on the resulting risk rating. These pools are subject to change each year depending on the risk rating. Below we provide additional information on the approaches used for both pools.

The number of cycled agencies increased from approximately 55 agencies to 70 over the last year as a result of legislation passed during the 2018 General Assembly session. We worked with legislators to draft this legislation to change the audit requirement for some agencies from an annual audit to "when determined necessary by the Auditor of Public Accounts." Most of the agencies impacted by this legislation did not have significant financial activity and, for the most part, we did not issue a significant number of findings for these audits. We requested this change to give us more flexibility by allowing us to use our risk based approach to determine when to perform the audit. It will also allow us to shift resources to more risky areas.

## Pool I

The agencies in this pool are subject to audit every year under a special project that focuses on one area that is determined to be significant for the agencies in this pool. We determine the specific area of focus based on the results of prior audits and internal control questionnaire results. We use risk analysis to determine which agencies from Pool I will have detailed procedures completed in this area and will perform limited procedures at the remaining agencies. We will issue a comprehensive report at the end of the project detailing the results for the agencies selected for review. All agencies are also subject to an internal control questionnaire review with an on-site visit to verify controls at least once every three years. During the second quarter of fiscal year 2018, we issued our first report under this approach, where payroll was the area of focus as it is one of the most important accounting cycles for Commonwealth agencies. This report is covered below in the [Focusing the Spotlight](#) section of this report.

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*Pool I agencies are subject to audit annually under a special project that is determined to be significant for the agencies in this pool.*

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## Pool II

We perform an audit of agencies classified in Pool II; however, the audit objectives and scope vary from the audits that we have traditionally performed. Generally, agencies classified in Pool II will stay in the audit cycle for a minimum of three years and we will plan our work accordingly. However, depending on the risk factors that resulted on their inclusion in the pool, some agencies may be in the audit cycle for a shorter period. We use a risk-based approach to determine the scope of the review for each agency selected. Therefore, our reports have a more limited scope, focusing on specific areas that we select for review, versus an agency-wide approach. This allows us to cover selected areas in more depth and additional areas that we may not have previously covered as we were focused primarily on significant financial cycles as opposed to those that may have higher risk. These agencies are also subject to an internal control questionnaire review with an on-site visit to verify controls at least once every three years.

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*We perform an audit of Pool II agencies; however the audit objectives and scope are more limited than prior audits.*

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During the period covered by this report, we issued reports for three Pool II agencies including reports for the Department of Game and Inland Fisheries, Disability Service Agencies, and the Supreme Court of Virginia, the results of which are covered in the [Focusing on the Importance of Internal Controls](#) section below.

## Internal Control Questionnaire Reviews

Each year our Office conducts an Internal Control Questionnaire Review project. As noted above, all agencies in both pools are included in this project at least once every three years. During the review, we send the agency an Internal Control Questionnaire to complete covering significant organizational areas and activities including payroll and human resources; revenues and expenses; procurement and

contract management; and information technology and security. The questionnaire focuses on key controls over these areas and activities.

We review agency responses and supporting documentation and design procedures based on the results. The next step includes an auditor going on-site and validating the responses from the agency. The procedures performed target risks or business functions deemed significant and involve reviewing internal policies and procedures. Depending on the results of our initial procedures, we may perform additional procedures including reviewing evidence to ascertain that select transactions are executed in accordance with the policies and procedures and conducting inquiries with management.

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*We review agency responses to the internal control questionnaires and design procedures based on the results.*

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After we complete the on-site review, we provide a letter to management stating the results and highlighting any key areas of interest. In addition, we issue a report with the accumulated results for all agencies after the project is complete. We use the results of this process in our risk-based analysis, which could result in the agency being included in Pool II or identify topics for our special project for Pool I agencies. During the year, we issued 19 letters containing internal control questionnaire review results, including findings for 15. We also issued our first annual report summarizing the results of the internal control questionnaire. This report is covered below in the [Focusing the Spotlight](#) section of this report.

### [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 lacking. We discuss a few of those reports here.

#### *Department of Game and Inland Fisheries*

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*During our audit of DIGF, we identified multiple internal control and compliance findings repeated from the prior year.*

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During our audit of the Department of Game and Inland Fisheries (DGIF) for fiscal year 2016, we identified eight internal control and compliance findings, six of which are repeated from the prior year. DGIF continues to lack internal controls over its financial recording and reporting process, resulting in misstatements totaling approximately \$4 million across assets, revenues, and expenses. In addition, DGIF had findings in the areas of capital asset inventory; contract procurement and management; accounting, financial, and retirement system reconciliations; construction in progress reporting; and payroll. Access the [Full Report](#) on our website.

### *Disability Services Agencies Audit of Select Cycles*

We audited the Disability Services Agencies' purchasing card internal controls and charges and travel card internal controls and followed up on one prior information system security finding for fiscal year 2016. In addition, we audited Wilson Workforce Rehabilitation Center's information system security. The Disability Services Agencies include the Department for Aging and Rehabilitative Services (including Wilson Workforce Rehabilitation Center), Department of the Blind and Vision Impaired (including Virginia Industries for the Blind and Virginia Rehabilitation Center for the Blind and Vision Impaired), the Department for the Deaf and Hard-of-Hearing, and Virginia Board for People with Disabilities.

During the audit, we identified three information technology recommendations for Wilson Workforce Rehabilitation Center. Specifically, Wilson Workforce should improve its firewall management, its physical and environmental security, and its information technology asset management process and procedures. In addition, the Department for Aging and Rehabilitative Services needs to take an active oversight role over the other Disability Services Agencies, as set out in a Memorandum of Understanding, to ensure that employees of all Disability Service Agencies receive the required security awareness training. Finally, the audit includes five recommendations for the purchasing charge card program related to policies and procedures over program administration and card use, client gift card purchases, purchasing card reconciliations, and merchant category code reviews. Access the [Full Report](#) on our website.

### *Judicial Branch Audit of Information Systems Security*

We audited information system security of the Judicial Branch for fiscal year 2016, which the Office of the Executive Secretary of the Supreme Court of Virginia (Executive Secretary) provides. The following entities of the Judicial Branch receive information technology services from the Executive Secretary, specifically from its department of Fiscal Services and department of Judicial Information Technology: Circuit Courts, Combined District Courts, Court of Appeals of Virginia, General District Courts, Judicial Inquiry and Review Commission, Juvenile and Domestic Relations District Courts, Magistrate System, Supreme Court of Virginia, and Virginia Criminal Sentencing Commission.

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*During our audit of the information system security for the Judicial Branch, we identified multiple internal control and compliance findings, two of which are repeated from the prior year.*

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During our audit, we noted multiple internal control and compliance findings related to information systems security. Specifically, we found the Executive Secretary should obtain and retain an Information Security Officer, improve disaster recovery controls, maintain oversight of third-party service providers, perform information technology security audits, and perform a risk analysis for exceptions to the acceptable use policy. We also found that the Executive Secretary had not completed corrective actions for findings we included in a prior report related to improving sensitive systems risk assessment and contingency planning documentation and database security. Access the [Full Report](#) on our website.

Potomac River Fisheries Commission

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*We found the Commission continues to have a potential going concern issue for the second year.*

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Our audit of the Potomac River Fisheries Commission for fiscal year 2017 found the Commission continues to have a potential going concern issue for the second year. While the Commission has recently begun to address this problem, they have not taken any extraordinary measures to bring the situation under control. We also noted internal control deficiencies related to financial recording and timely preparation of bank reconciliations due to lack of personnel with adequate accounting knowledge. Finally, the Commission has not adopted an applicable security standard and does not have an adequate disaster recovery plan. Access the [Full Report](#) on our website.

## FOCUSING THE SPOTLIGHT

Special reviews 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 reviews performed during fiscal year 2018.

### 2017 Internal Control Questionnaire Results

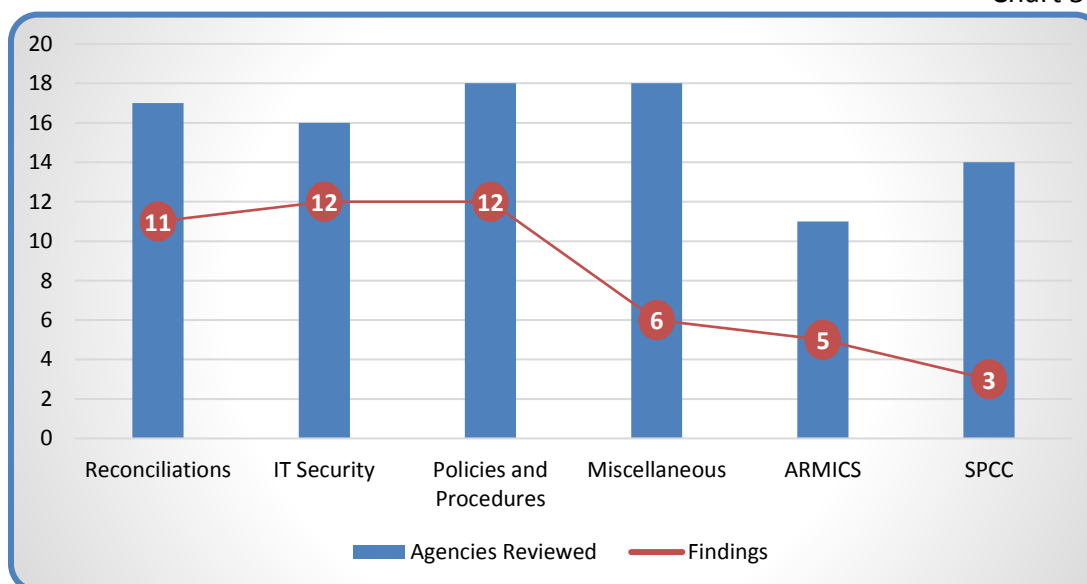
*As a result of our internal control questionnaire reviews, we issued recommendations for 83 percent of the agencies we reviewed.*

Our 2017 Internal Control Questionnaire Results report communicates the overall results of the reviews of internal controls performed during 2017 and highlights the common deficiencies identified across agencies reviewed. As discussed in the [Providing Information to the General Assembly](#) section of the report, annually our Office conducts an Internal Control Questionnaire Review project covering all cycled agencies at least once every three years. We included 19 agencies in the scope of

our review during 2017. As a result of our reviews, we issued recommendations for improvements in internal controls to 15 agencies representing 83 percent of the agencies reviewed. We were unable to perform any procedures at one of the agencies in our scope (Department of Fire Programs) due to inadequate staff in the fiscal department. As shown in Chart 5, the main areas with recommendations were statewide accounting system reconciliations (Reconciliations), information security, policies and procedures, Agency Risk Management and Internal Control Standards (ARMICS), and small purchase charge cards (SPCC). Access the [Full Report](#) on our website.

### Frequency of Internal Control Questionnaire Findings

Chart 5



## Cycled Agency Payroll Review

Our Cycled Agency Payroll Review is based on our Office's new approach to auditing cycled agencies as discussed in the [Providing Information to the General Assembly](#) section of the report. In addition to performing periodic internal control questionnaire reviews over these agencies, as discussed above, we also annually select a significant area of focus to cover in a special review. For fiscal year 2016, we chose payroll operations as the area of focus as it is one of the most important accounting cycles for Commonwealth agencies.

This report details the results of our audit of payroll operations at nine cycled agencies and limited procedures performed over the pool of cycled agencies. During our review we identified internal control and compliance findings that applied to several agencies making recommendations to management for improving internal controls over: the handling of sensitive information in emails, terminated employee procedures, payroll policies and procedures, the 1500-hour wage rule, payroll post-certification activities, and the review of memoranda of understanding. The report results also show that agencies properly compensated employees selected for review and that overall, payroll was processed effectively and accurately. Access the [Full Report](#) on our website.

## Progress Report on Selected System Development Projects in the Commonwealth

Our Progress Report on Selected System Development Projects reflects our on-going review of \$96.6 million in Commonwealth information technology system development projects. Our review goal is to detect problems at the earliest possible point and alert decision makers of this information, thereby reducing potential project failures. The report highlights four projects across three different agencies that are experiencing schedule delays, budget concerns, or have other risks: Alcoholic Beverage Control's Financial System Replacement and Licensing System Replacement, Virginia Employment Commission's Unemployment Insurance Modernization, and Department of Accounts' Cardinal Payroll Project.

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*This report highlights four projects across three different agencies that are experiencing schedule delays, budget concerns, or have other risks.*

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

## Review of Chapter 759/769 Bond Issuance Limit

This is the first annual report to satisfy the requirements in Chapters 759/769 of the 2016 Acts of Assembly, Items 10 and 11, by reviewing the annual debt issuance limit established by this legislation and determining compliance with the conditions for the initial release of funding. We found that the Six Year Capital Outlay Advisory Committee is properly monitoring the \$300 million annual debt limit and the Chapters 759/769 project expenditures, totaling \$25.8 million, did not exceed the limit during fiscal year 2017. Additionally, the Governor approved a decision brief related to the Capital Complex project, satisfying the condition for initial release of funding for the other Chapter 759/769 projects. Access the [Full Report](#) on our website.



# We are KNOWLEDGEABLE

*We are well informed and insightful.*

We 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. In addition, 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 and ensure we remain knowledgeable of the standards we must follow in performing our audits and that agencies must follow in accounting for and reporting their financial activity. We also annually meet with select members of the Governor's cabinet to provide information about the audits we have performed over the last year as well as gather information to assist us in assessing risk related to future audits.

## Our Commitment to Quality

In April, our Office underwent a peer review of the system of quality control over the work we perform. Every three years our Office undergoes an external peer review to determine whether our Office has an adequately designed internal quality control system and is following that system in the audits we are performing. The purpose of that system is to ensure that we follow applicable standards issued by the American Institute of Certified Public Accountants and the Government Accountability Office when we are performing our audits. We participate in the National State Auditors Association peer review program. Our review is performed by staff from other state audit organizations as well as a representative from the United States Department of Health and Human Services, who reviews the work we perform to support the Commonwealth's Single Audit of federal funds.

The review included audits our Office performed for the period March 1, 2017, through February 28, 2018. We received a rating of pass, which is the highest rating available and indicates that our system of quality control has been suitably designed and complied with to provide reasonable assurance that we have materially complied with applicable auditing standards. The peer review team did not note any issues that rose to the level of a deficiency or finding during the review. The [Peer Review Report](#) is available on our website.

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*Our Office received the highest rating of pass during our 2018 external peer review, with no issues rising to the level of a deficiency or finding related to the work reviewed.*

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## 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.

Table 6

<b>General Assembly Members and State Government</b>	
<b>College and University Auditors of Virginia</b>	<ul style="list-style-type: none"> <li>• Provided updates on APA projects and activities, the 2018 legislative session, information technology outsourcing, the single audit of federal funds major program cycle, and new accounting and auditing standards. Discussed audit results from the prior year and common areas reported involving frauds.</li> </ul>
<b>Compensation Board New Constitutional Officers Training</b>	<ul style="list-style-type: none"> <li>• Presented information on the Compensation Board and the role of the APA.</li> </ul>
<b>Department of General Services' Procurement Forum</b>	<ul style="list-style-type: none"> <li>• Participated in a panel discussion for agency procurement staff regarding what to expect when being audited including information about the APA and the nature of the audits we perform.</li> </ul>
<b>Fiscal Officers of Colleges and Universities State Supported</b>	<ul style="list-style-type: none"> <li>• Provided updates at Spring and Fall conferences on information technology outsourcing, the single audit of federal funds major program cycle, and new accounting and auditing standards. Discussed audit results from the prior year, including common findings, and upcoming projects.</li> </ul>
<b>House Appropriations Committee Meeting</b>	<ul style="list-style-type: none"> <li>• Provided a status report on the Local Government Fiscal Distress Monitoring project.</li> </ul>
<b>Joint Subcommittee on Local Government Fiscal Distress</b>	<ul style="list-style-type: none"> <li>• Provided background information and preliminary results of the Local Government Fiscal Distress Monitoring process.</li> </ul>
<b>Office of the State Inspector General's State Agency Update Conference</b>	<ul style="list-style-type: none"> <li>• Provided update on APA's current audit and work plan initiatives to include an overview of the Office's structure and strategic planning; annual audit results for CAFR, single audit of federal funds, and higher education audits; the Office's new cycled agency and internal control questionnaire approach; local government oversight and monitoring; various miscellaneous updates and upcoming projects impacting state agencies and higher education; and reminders on the implementation of other post-employment benefits standards.</li> </ul>
<b>Virginia Community College System (VCCS) Administrative Services Conference</b>	<ul style="list-style-type: none"> <li>• Presented information to registrars and information technology staff from the 23 community colleges on the requirements of federal financial aid enrollment reporting and common errors found during the audit process.</li> </ul>

Table 7

<b>Local Government Auditors and Organizations</b>	
<b>Brown Edwards Annual Governmental Conference</b>	<ul style="list-style-type: none"> <li>• Provided an update on various topics including local government Comparative Report transmittal form process; new locality requirements from 2017 legislative session; updates to APA Specifications for Audits of Counties, Cities and Towns (APA Specifications) and the Uniform Financial Reporting Manual (UFRM); results of quality control reviews over firms auditing Virginia's local governments; fiscal distress monitoring over localities; and upcoming accounting standards.</li> </ul>
<b>City of Norfolk Finance Department</b>	<ul style="list-style-type: none"> <li>• Provided an update on various topics including local government Comparative Report transmittal form process, new requirements from 2017 legislative session, updates to APA Specifications and the UFRM, results of quality control reviews over firms auditing Virginia's local governments, fiscal distress monitoring over localities, and upcoming accounting standards.</li> </ul>
<b>Virginia Government Finance Officers' Association Fall 2017 Conference</b>	<ul style="list-style-type: none"> <li>• Provided an update on various topics including local government Comparative Report transmittal form process; new requirements from 2017 legislative session; updates to APA Specifications and the UFRM; results of quality control reviews over firms auditing Virginia's local governments; fiscal distress monitoring over localities; and upcoming accounting standards.</li> </ul>
<b>Virginia Government Finance Officers' Association Spring 2018 Conference</b>	<ul style="list-style-type: none"> <li>• Provided an update on various local government topics including updates to APA Specifications and the UFRM, results of quality control reviews over firms auditing Virginia's local governments, pension and other post-employment benefits, and fiscal distress monitoring over localities.</li> </ul>
<b>Virginia Municipal League (VML) Annual Conference</b>	<ul style="list-style-type: none"> <li>• Provided an update on the Office's local fiscal distress early warning system and monitoring process including the new legislative requirements; the Office's criteria using the Financial Assessment Model and ratio analysis; the Office's review process with localities identified for further follow-up; and future plans to refine the model and annual monitoring process.</li> </ul>
<b>Virginia Sheriff's Institute – New Sheriff Orientation School</b>	<ul style="list-style-type: none"> <li>• Provided an overview of sound accounting practices to newly elected Sheriffs.</li> </ul>

Table 8

Other Professional Organizations	
<b>AGA National Professional Development Training</b>	<ul style="list-style-type: none"> <li>Presented an overview of the timesaving that could be achieved if federal agencies invested in automating single audits and the impact that it could have on states and future funding decisions. Also, presented on free online tools that financial managers could use to increase transparency, reduce fraud, identify risks, and make better decisions.</li> </ul>
<b>AGA Roanoke Chapter Professional Development Training</b>	<ul style="list-style-type: none"> <li>Provided update on internal control issues reported in the Commonwealth's 2017 Single Audit of federal funds.</li> </ul>
<b>AICPA Governmental Audit Quality Center</b>	<ul style="list-style-type: none"> <li>Presented information during national webinar on challenges of loans and loan guarantees in a single audit.</li> </ul>
<b>AICPA Governmental Accounting and Auditing Update Conference</b>	<ul style="list-style-type: none"> <li>Presented information on how the APA uses "big data" in auditing, adapted from our July/August 2014 VSCPA Disclosure article entitled <a href="#">Order From Chaos</a>.</li> </ul>
<b>Institute of Internal Auditors – Roanoke Chapter</b>	<ul style="list-style-type: none"> <li>Provided an update on the APA's fiscal distress monitoring over localities including new legislative requirements, criteria used, results of reviews performed, and future plans to refine the model and annual monitoring process.</li> </ul>
<b>National State Auditor's Association Information Technology Conference</b>	<ul style="list-style-type: none"> <li>Several members of the APA staff made presentations to information technology auditors from other state auditor offices on topics including advanced excel and access; on-boarding information technology tool-kit; and end of life technologies.</li> </ul>
<b>New York State Society of CPAs Government Accounting and Auditing Conference</b>	<ul style="list-style-type: none"> <li>Provided an update on the American Institute of CPAs Government Audit Quality Center focusing on single audits of federal funds.</li> </ul>
<b>Swedish Auditors General</b>	<ul style="list-style-type: none"> <li>Participated in a meeting with the Swedish Auditors General at the Government Accountability Office on behalf of the National State Auditors Association. Provided an overview of the responsibilities of the APA.</li> </ul>
<b>United States Government Accountability Office – International Auditor Fellowship Program</b>	<ul style="list-style-type: none"> <li>Presented information to international fellows from multiple countries on the APA's history, work plan, and approach to performing financial audits.</li> </ul>

AGA      Association of Government Accountants  
AICPA    American Institute of Certified Public Accountants

Being Leaders in Our Profession

In addition to making presentations to various state, local, and other groups, our staff also participate in leadership roles in various groups that are opportunities for professional development as well as opportunities to have a voice in the activities that impact our Office and the entities that we audit. Table 9 below contains organizations in which our staff participate in leadership roles. Due to their relevance to the work we perform, in some cases, we have multiple staff involved in a particular committee.

**Outside Organization Leadership Roles**

Table 9

Organization	Leadership Role
<b>Association of Government Accountants: Intergovernmental Partnership Steering Committee</b>	Committee Member
<b>AICPA: Governing Council Government Audit Quality Center Governmental Accounting and Auditing Update Conference Planning Committee</b>	Council Member Executive Committee Member Committee Member
<b>Government Accountability Office: Yellow Book Advisory Council</b>	Council Member
<b>NASACT: Committee on Accounting, Reporting, and Auditing GASAC Subcommittee Leases Implementation Work Group Uniform Guidance Implementation Work Group</b>	Committee Members Subcommittee Member Co-Chair and Members Co-Chair and Members
<b>NSAA: Audit Standards and Reporting Committee Emerging Leaders Conference Program IT Conference Program Excellence in Accountability Awards Committee Executive Committee Nominating Committee Peer Review Committee Single Audit Committee</b>	Chair and Members Committee Member Vice-Chair and Members Committee Member Committee Member Committee Member Committee Members Chair and Members
<b>VSCPA: Accounting and Auditing Committee Awards Committee Disclosures Magazine  Nominations Committee</b>	Committee Member Committee Member Columnist and Editorial Task Force Member Committee Member

*AICPA American Institute of Certified Public Accountants  
 GASAC Governmental Accounting Standards Advisory Council  
 NASACT National Association of State Auditors, Comptrollers and Treasurers  
 NSAA National State Auditors Association  
 VSCPA Virginia Society of Certified Public Accountants*

## 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. Table 10 summarizes the documents that we reviewed and to whom we provided responses during the year.

Table 10

Standard Setting Entity	Document Reviewed
AICPA	Exposure Draft: <i>Auditor Reporting and Proposed Amendment – Addressing Disclosures in the Audit of Financial Statements</i>
AICPA	Exposure Draft: <i>Omnibus Statement on Auditing Standards – 2018</i>
AICPA	Exposure Draft: <i>Proposed Interpretation and other Guidance – State and Local Government Entities</i>
AICPA	Exposure Draft: <i>Proposed Statement on Standards for Attestation Engagements – Selected Procedures</i>
AICPA	Exposure Draft: <i>The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports</i>
GAO	Exposure Draft: <i>Government Auditing Standards</i>
GASB	Exposure Draft: <i>Accounting and Financial Reporting for Majority Equity Interests, an Amendment of GASB Statement No. 14</i>
GASB	Exposure Draft: <i>Accounting for Interest Cost during the Period of Construction</i>
GASB	Exposure Draft: <i>Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements</i>
GASB	Exposure Draft: <i>Implementation Guide No. 201Y-X, Implementation Guidance Update-201Y</i>
GASB	Invitation to Comment: <i>Revenue and Expense Recognition</i>
OMB	2018 Compliance Supplement

AICPA American Institute of Certified Public Accountants  
 GAO Government Accountability Office  
 GASB Government Accounting Standards Board  
 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 (NSAA), 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. Further, a member of our management team was one of only two non-federal auditors that was invited to the Office of Management and Budget's kick-off meeting for developing the 2019 Compliance Supplement.

# We are PROFESSIONAL

*We act in a manner that reflects favorably on ourselves, our co-workers, and the APA.*

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 of professional staff 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](#).

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## 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.*

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## We Value Our Staff

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 addition, we work to ensure that we are providing our staff with the training they need to help us maintain a high level of quality on our audits and developing future leaders for our Office.

### *Maintaining a Positive Work Environment*



Because we believe the APA is a great place to work, for the past five years we have participated in the Richmond's Top Workplaces event sponsored by the Richmond Times-Dispatch and Energage and were recognized as one of Richmond's Top Workplaces. To participate, employers and their employees completed anonymous surveys about their workplace.

On March 4<sup>th</sup>, as a result of the feedback received from our staff, the Auditor of Public Accounts was recognized as one of Richmond's Top 65 Workplaces in the [Richmond Times Dispatch](#). This is the fifth consecutive year that we have received this recognition and the APA is one of only 14 employers that have been on the list for each of the five years it has been in existence. In addition to the positive impact we believe this recognition has on our recruiting efforts, 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.



In May, we held our annual statewide meeting for our staff. During the day, we had several team building activities geared toward helping all staff learn some interesting facts about each other as well as learning to work together in different team environments. We also had introductions of staff that had joined the APA since our last meeting. In addition, we had a session on being an impact maker using the Dale Carnegie Principles as well as a session on our Office's audit and other activities during the last year, including an overview of our locality fiscal distress monitoring process.



Our staff believe in giving back to the communities in which we live, volunteering with multiple local organizations during the year including Children's Museum, FeedMore Virginia, and Peter Paul Development Center. In addition, over 30 APA employees participated in the Virginia Society of Certified Public Accountants' CPAsGiveBack campaign volunteering at FeedMore Virginia, Maymont Park, and St. Joseph's Villa during Virginia CPA Week.

### *Developing Future Leaders*



During the quarter, we held the APA Leadership Institute, which is an internal training program that we conduct every other year to develop future leaders of the APA. Staff must submit an application and, if selected for further consideration, participate in an interview process to be accepted to the Institute.

Sessions included topics on the art of storytelling, creating a personal vision, impromptu speaking, and strength based leadership. We also had several leaders from outside the APA meet with the participants and discuss their personal leadership stories and challenges they have encountered in their leadership roles. Finally, each participant was provided a topic and had to develop and give a presentation on that topic.

## Continuing our Strategic Planning Initiatives

As detailed in our [2016 Annual Report](#), we finalized our 2015 through 2020 Strategic Plan in May 2016. Our strategic plan is divided into four strategic goals with multiple tasks under each goal. These goals and their tasks are highly interrelated and will take several years to fully achieve. We have teams assigned to help facilitate the efforts towards achieving each of the four strategic goals. Following is a brief description of the tasks we accomplished during the year related to each of the four strategic goals.

The focus of the **Build Our Culture** strategic goal is to continue to build an internal culture that aligns with our core values to guide how we approach our work, internally and externally, and to shape our brand with our stakeholders. During the year, we developed interactive training on the APA values. New staff participated in this training as part of their on-boarding process. Also, the **Build Our Culture** team facilitated a team building exercise at our annual statewide meeting that focused on reinforcing one of our core values.



We finalized our definitions for each of our core values and worked with a graphics specialist to create permanent signage to display our values. We will place the signs around the office as a visual reinforcement of APA values for employees and visitors of our office. We also incorporated our values into our annual compensation statement for employees to show each employee the linkage between the APA's values and their compensation and benefits.

Further, to ensure our Office is communicating our values to future employees, the **Build Our Culture** team evaluated our current recruiting practices at career fairs against other professional organizations and our core values. As a result of this effort, we had several initiatives underway; however, we decided to differ implementation until resources become available.

Under the **Strengthen and Retain Our Staff** strategic goal, we plan to increase our investment in developing our team, with an emphasis on developing current and future leaders and recruiting, training, and retaining the best talent. During the year, we revised our annual review process for our staff incorporating our values and their definitions as the foundation of this new process. We incorporated APA's core values into the new documents to link performance evaluation to how staff demonstrate commitment to our values on a daily basis.

The **Strengthen and Retain Our Staff** team also worked with the New Hire Orientation team to develop a comprehensive onboarding program to ensure staff are sufficiently trained on general job

functions within their first two weeks. Looking forward to next year, the team plans to work collaboratively with the **Build our Culture** team and the Human Resources staff on several initiatives, including our peer recognition program, recruiting packets, internship program opportunities, and exit interview process.

Another strategic goal of our Office is to **Be a Leader in the Profession** by remaining current and innovative in our work and practices. During the year, we accomplished several new initiatives that were started in the prior year and discussed in the [We are Engaged](#) section including completing our first round of internal control questionnaire reviews and payroll audit under our new approach for auditing cycled agencies; successfully implementing our new staffing approach for our higher education institution audits; and issuing our first Higher Education Comparative Report. We also issued our first [Virginia District Court System Statewide Report](#) summarizing the findings from our audit of the District Court System for the fiscal year ended June 30, 2017. This report will allow stakeholders to more readily identify trends in findings across courts and better understand the financial impact of these findings.

In addition, we completed an upgrade to our internal document management system that houses all of our audit documentation as well as the audit tools and guidelines we have developed for use by our staff. The upgrade includes additional functionality for organizing our documents and improving consistency across audits, which we believe will improve comprehension and efficiency when performing audits. We have also increased our use of electronic forms in our document management system for gathering information for use on audits as well as by human resources. This has allowed us to reduce office space for storage of hard copy records and create more collaboration spaces for our audit teams. Further, new for our fiscal year 2018 audits, we created a database housing pension and other postemployment benefit financial data that enables our staff to more efficiently gather the information needed to audit agency and higher education institution financial activity. In addition, as detailed in the [Being Leaders in Our Profession](#) section, we continued to encourage our staff to participate in outside organizations, as this is an opportunity to remain current and increase our knowledge related to new approaches being utilized by other audit organizations.

Finally, the objective of the **Communicate Our Value** strategic goal is to strengthen our relationships, emphasize our value, and enhance the ability of our stakeholders to utilize our work to make better decisions. During the year, we developed and provided more effective and consistent report writing training through the inclusion of more hands-on exercises that are focused on addressing writing deficiencies noted during the report review process. In addition, we created a findings repository that links our audit findings to specific audit areas and allows us to analyze our findings across various dimensions including statewide, by secretary, by audit area, over time and by cause. We also provided training to our staff on utilizing the repository.

## 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 primarily from billings for federal, pension, and other postemployment benefits 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 \$580,000 during fiscal year 2018. Personnel costs make up approximately 90 percent of our budgeted expenses.

### *Recruiting and Retaining Staff*

We have continued our efforts to rebuild and maintain our staffing levels and as shown in Table 11 below, over the last four years we have been successful in recruiting and hiring new staff. However, since the market for accounting and auditing positions remains strong, we have continued to experience staff turnover and; therefore, continue to actively recruit new staff. In addition, as discussed in the [Continuing our Strategic Planning Initiatives](#) section of our report, our Strengthen and Retain Our Staff strategic goal is focused on strengthening our recruiting efforts and enhancing our training opportunities and retention programs.

Staff turnover, coupled with additional mandated activities, has limited the time available for our risk based auditing activities. While we have been successful in building our staffing levels, as it takes time to train new staff, we have not been able to immediately increase the amount of time available for our risk based auditing activities. Ideally, we would prefer to have more resources available to focus on our non-mandatory work.

We perform many of our audits because they have statutory mandates, support federal regulations, or fulfill bond covenant requirements. Other work performed by our Office, such as maintaining Commonwealth Data Point and performing local fiscal distress monitoring, fulfills additional statutory mandates. Over the last few years, the number of mandatory hours in our work plan have increased related to new standards, regulations, and legislation, some of which we have discussed in the sections above. Therefore, in recent years, we have had to strategically manage our resources to ensure we accomplish our required work. While we have looked for new approaches that allow us to continue to review financial activity and internal controls at agencies without mandatory annual audit requirements, we have had to limit the

Table 11

Staffing Overview	
Approved staffing level	132
Actual Staff	
June 30, 2014	111
June 30, 2015	121
June 30, 2016	122
June 30, 2017	126
June 30, 2018	132

number of new risk-based projects in order to focus on our mandatory responsibilities. To the extent feasible, we continue to build risk-based audits into our work plan and will rededicate staffing resources to these types of audits as they become available.

*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. Table 12 below reflects our budget to actual performance for fiscal year 2018.

**Analysis of APA Original and Adjusted Budget versus Actual Expenses by Funding Source**  
For the Year Ending June 30, 2018

Table 12

Funding Source	Original Budget	Adjusted Budget	Actual Expenses	Variance
General Fund	\$11,801,167	\$12,281,043	\$12,256,161	\$24,882
Special Revenue	1,256,883	1,382,568	1,346,656	35,912
<b>Total</b>	<b>\$13,058,050</b>	<b>\$13,663,611</b>	<b>\$13,602,817</b>	<b>\$60,794</b>

Table 13 below reflects our original budget for fiscal year 2019. As discussed in the [Pensions and Other Postemployment Benefits](#) section of the report, over the last few years we have expanded our annual work plan to include the review of various pension and other postemployment benefits schedules prepared by the Virginia Retirement System’s (System) actuary for use by the Commonwealth’s agencies and higher education institutions as well as its localities in preparing their financial statement in compliance with new accounting standards. We also have to perform additional testing of census data maintained by the System. Beginning in fiscal year 2019, we will bill the System for a portion of this additional work. Accordingly, our Special Revenue budget reflects an increase of \$259,500 and includes four additional positions to address our increased work load.

**APA Original Budget**  
For the Year Ending June 30, 2019

Table 13

Funding Source	Original Budget
General Fund	\$12,221,188
Special Revenue	1,553,959
<b>Total</b>	<b>\$13,775,147</b>

In 2019, we will continue to focus on strengthening and retaining our staffing resources, so that we may expand the valuable work our Office performs, allowing us to address projects resulting from new legislative and regulatory mandates, as well as projects identified through our risk assessment process.



# Auditor of Public Accounts

## Commonwealth of Virginia

Martha S. Mavredes, CPA

### Who We Are

The Auditor of Public Accounts (APA) acts as the General Assembly’s eyes and ears, independently monitoring and reporting how state agencies and institutions spend taxpayers’ money. The agency helps the Commonwealth’s leaders address the challenges facing Virginia today by providing sound, reliable information and alternatives. The Auditor, a constitutional officer elected to a four-year term, reports to the General Assembly through the Joint Legislative Audit and Review Commission (JLARC). While the Auditor’s duties are defined by the Virginia Constitution and the Code of Virginia, JLARC approves the [APA Workplan](#) annually.

The APA serves as the external auditor for all independent, judicial, and executive branch state agencies and higher education institutions in the Commonwealth. In many respects, the Auditor’s Office operates like a CPA firm, with the Auditor serving as the managing partner.

The APA receives about 90 percent of its funding from the General Fund of the Commonwealth with the remaining 10 percent resulting from billings for federal, pension, and other postemployment benefits audit work.

### What We Do

The primary focus of the APA is conducting Code of Virginia and federally-mandated audits such as the Commonwealth’s Comprehensive Annual Financial Report (CAFR), the Single Audit of federal funds, and the Commonwealth’s higher education institutions. We also audit pension and other postemployment benefit amounts used by state and local government employers in preparing their financial statements.

In addition, the Auditor completes a risk assessment of the agencies and institutions not mandated for review and evaluates key issues facing the Commonwealth. Most non-mandated audits and reviews are designed to ensure that 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 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.

#### OUR

#### MISSION

*Serving  
Virginia citizens  
and decision  
makers  
by providing  
unbiased, accurate  
information  
and sound  
recommendations  
to improve  
accountability  
and financial  
management of  
public funds*

[www.apa.virginia.gov](http://www.apa.virginia.gov)



## Professional, Knowledgeable Staff

### We're More Than Auditors

In addition to auditing, APA is charged with:

Maintaining Commonwealth Data Point, an online resource on State spending



Monitoring fiscal distress at Virginia's local governments



Investigating local, agency, and institutional fraud cases



Monitoring major IT projects and contracts



Reviewing all Virginia courts



Overseeing local government audits by public accounting firms

The Auditor's Office is comprised of a diverse group of professionals with a wide range of educational and professional backgrounds in accounting, business administration, finance, and information technology. From CPAs to MBAs, our staff hold over 20 different types of professional certifications and are actively involved in relevant professional organizations, such as the National Association of State Auditors, Comptrollers, and Treasurers (NASACT), the Association of Certified Fraud Examiners (ACFE), and the Information Systems Audit and Control Association (ISACA). The office expertise is spread over 11 specialty teams regularly trained in specific skills to help meet the agency's mission covering areas such as capital asset and contract management, higher education programs, information technology, judicial systems, and strategic risk management.

### How Can We Help?

General Assembly members can request technical assistance from the Auditor's Office in understanding the financial operations of the Commonwealth and its localities. Simply call or e-mail the Auditor with your question or request.

Likewise, state agencies and institutions can make similar requests regarding specific areas of focus for review within their organizations by contacting our office directly.

### Our Reports

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



**Collaborative / Engaged / Knowledgeable / Professional**

Auditor of Public Accounts, P.O. Box 1295, 101 N. 14th Street, Richmond, VA 23219, (804) 225-3350

# Summary of Reports Issued

# Appendix B

The following is a listing of all agencies and institutions reports and letters issued by the Auditor of Public Accounts during the fiscal year ended June 30, 2018. An asterisk (\*) indicates the report includes audit findings and recommendations.

Agencies and Institutions	
Agency	Audit Period
<b>Judicial Branch</b>	
Clerk of the Court of Appeals in Virginia Audit of Collections*	July 1, 2015 through June 30, 2016
Clerk of the Supreme Court of Virginia Audit of Collections*	July 1, 2015 through June 30, 2016
Judicial Branch Audit of Information Systems Security*	July 1, 2015 through June 30, 2016
Virginia Board of Bar Examiners	July 1, 2015 through June 30, 2016
Virginia Indigent Defense Commission Internal Control Questionnaire Review Results	As of April 2017
Virginia State Bar	July 1, 2015 through June 30, 2016
<b>Independent Agencies</b>	
Internal Control Report on Local Government Investment Pool, Virginia College Building Authority, Virginia Public Building Authority, and Virginia Public School Authority	July 1, 2016 through June 30, 2017
Virginia College Savings Plan	July 1, 2016 through June 30, 2017
Virginia Lottery*	July 1, 2016 through June 30, 2017
Virginia Lottery – Reports on Applying Agreed-Upon Procedures	
Cash4Life	April 2016 through March 2017
Mega Millions	April 2016 through March 2017
Megaplier	April 2016 through March 2017
Powerball	April 2016 through March 2017
Power Play	April 2016 through March 2017
Virginia Retirement System#	July 1, 2016 through June 30, 2017
Virginia Workers' Compensation Commission Internal Control Questionnaire Review Results	As of April 2017
<b>Executive Departments</b>	
Office of the Attorney General, Department of Law, and Division of Debt Collection	July 1, 2016 through June 30, 2017



<b>Executive Departments (cont.)</b>	
Office of the Governor and the Governor's Cabinet Secretaries*	July 1, 2015 through June 30, 2017
Office of the Lieutenant Governor	July 1, 2015 through June 30, 2017
Office of the State Inspector General Internal Control Questionnaire Review Results*	As of May 2017
<b>Administration</b>	
Department of General Services' Division of Real Estate Services	July 1, 2016 through June 30, 2017
Department of Human Resources Management*	July 1, 2016 through June 30, 2017
<b>Agriculture and Forestry</b>	
Department of Forestry Internal Control Questionnaire Review Results*	As of May 2017
<b>Commerce and Trade</b>	
Department of Small Business and Supplier Diversity Internal Control Questionnaire Review Results*	As of June 2017
Tobacco Region Revitalization Commission*	July 1, 2015 through June 30, 2016
Virginia Biotechnology Research Partnership Authority	July 1, 2016 through June 30, 2017
Virginia Board of Accountancy	July 1, 2016 through June 30, 2017
Virginia Economic Development Partnership	July 1, 2016 through June 30, 2017
Virginia Employment Commission*	July 1, 2016 through June 30, 2017
Virginia Racing Commission	July 1, 2016 through June 30, 2017
Virginia Removal or Rehabilitation of Derelict Structures Fund	July 1, 2015 through June 30, 2016
Virginia Small Business Financing Authority – Economic Development Cluster Federal Program*	July 1, 2016 through June 30, 2017
Virginia Small Business Financing Authority	July 1, 2015 through June 30, 2016
Virginia Tourism Authority	July 1, 2016 through June 30, 2017
<b>Education</b>	
Department of Education including Direct Aid to Public Education*	July 1, 2016 through June 30, 2017
Frontier Culture Museum of Virginia Internal Control Questionnaire Review Results*	As of May 2017
Gunston Hall Internal Control Questionnaire Review Results*	As of May 2017

<b>Education (cont.)</b>	
Jamestown-Yorktown Foundation Internal Control Questionnaire Review Results*	As of June 2017
State Council of Higher Education for Virginia Internal Control Questionnaire Review Results*	As of June 2017
Virginia Museum of Fine Arts Internal Control Questionnaire Review Results*	As of April 2017
Virginia Museum of Natural History Internal Control Questionnaire Review Results*	As of May 2017
Virginia School for the Deaf and Blind-Audit of Select Cycles*	July 1, 2016 through June 30, 2017
<b>Colleges and Universities</b>	
Christopher Newport University*	July 1, 2016 through June 30, 2017
Eastern Shore Community College Review	July 1, 2016 through June 30, 2017
George Mason University*	July 1, 2016 through June 30, 2017
George Mason University Intercollegiate Athletics Programs	July 1, 2016 through June 30, 2017
James Madison University*	July 1, 2015 through June 30, 2016
James Madison University*	July 1, 2016 through June 30, 2017
James Madison University Intercollegiate Athletics Programs	July 1, 2016 through June 30, 2017
Longwood University*	July 1, 2015 through June 30, 2016
Longwood University*	July 1, 2016 through June 30, 2017
Longwood University Intercollegiate Athletics Programs	July 1, 2016 through June 30, 2017
Norfolk State University*	July 1, 2016 through June 30, 2017
Norfolk State University Intercollegiate Athletics Programs	July 1, 2016 through June 30, 2017
Old Dominion University*	July 1, 2016 through June 30, 2017
Old Dominion University Intercollegiate Athletics Programs	July 1, 2016 through June 30, 2017
Paul D. Camp Community College Review	July 1, 2016 through June 30, 2017
Radford University*	July 1, 2015 through June 30, 2016
Radford University	July 1, 2016 through June 30, 2017
Radford University Intercollegiate Athletics Programs	July 1, 2015 through June 30, 2016
Rappahannock Community College Review	July 1, 2016 through June 30, 2017
The College of William and Mary in Virginia Intercollegiate Athletics Programs	July 1, 2016 through June 30, 2017
The College of William and Mary in Virginia, including the Virginia Institute of Marine Science, and Richard Bland College*	July 1, 2015 through June 30, 2016

<b>Colleges and Universities (cont.)</b>	
The College of William and Mary in Virginia, including the Virginia Institute of Marine Science, and Richard Bland College*	July 1, 2016 through June 30, 2017
The University of Mary Washington*	July 1, 2015 through June 30, 2016
The University of Mary Washington*	July 1, 2016 through June 30, 2017
University of Virginia*	July 1, 2016 through June 30, 2017
University of Virginia Intercollegiate Athletics Programs	July 1, 2016 through June 30, 2017
University of Virginia's College at Wise Intercollegiate Athletics Programs	July 1, 2016 through June 30, 2017
Virginia Commonwealth University*	July 1, 2016 through June 30, 2017
Virginia Commonwealth University Intercollegiate Athletics Programs	July 1, 2016 through June 30, 2017
Virginia Community College System*	July 1, 2015 through June 30, 2016
Virginia Military Institute*	July 1, 2015 through June 30, 2016
Virginia Military Institute	July 1, 2016 through June 30, 2017
Virginia Military Institute Intercollegiate Athletics Programs	July 1, 2016 through June 30, 2017
Virginia Polytechnic and State University	July 1, 2016 through June 30, 2017
Virginia Polytechnic Institute and State University Intercollegiate Athletics Programs	July 1, 2016 through June 30, 2017
Virginia State University*	July 1, 2015 through June 30, 2016
Virginia State University*	July 1, 2016 through June 30, 2017
<b>Finance</b>	
Secretary of Finance*	July 1, 2016 through June 30, 2017
<b>Health and Human Resources</b>	
Agencies of the Secretary of Health and Human Resources *	July 1, 2016 through June 30, 2017
Department of Health Professions Internal Control Questionnaire Review Results*	As of May 2017
Disability Services Agencies Audit of Select Cycles*	July 1, 2015 through June 30, 2016
Virginia Foundation for Healthy Youth	July 1, 2016 through June 30, 2017
Virginia Health Workforce Development Authority*	July 1, 2015 through June 30, 2016
<b>Natural Resources</b>	
Department of Environmental Quality Internal Control Questionnaire Review Results*	As of April 2017
Department of Game and Inland Fisheries*	July 1, 2015 through June 30, 2016

<b>Natural Resources (cont.)</b>	
Potomac River Fisheries Commission*	July 1, 2015 through June 30, 2016
Potomac River Fisheries Commission*	July 1, 2016 through June 30, 2017
Rappahannock River Basin Commission	July 1, 2015 through June 30, 2016
Review of the Rappahannock River Basin Commission Financial Information, and the George Washington Regional Commission's	July 1, 2016 through June 30, 2017
<b>Public Safety and Homeland Security</b>	
Department of Alcoholic Beverage Control*	July 1, 2016 through June 30, 2017
Department of Corrections*	July 1, 2016 through June 30, 2017
Department of Criminal Justice Services – Crime Victim Assistance Federal Grant Program*	July 1, 2016 through June 30, 2017
Department of Criminal Justice Services Internal Control Questionnaire Review Results*	As of May 2017
Department of Fire Programs Internal Control Questionnaire Review Results*	As of June 2017
Department of Juvenile Justice Internal Control Questionnaire Review Results*	As of April 2017
Department of Military Affairs – National Guard Military Operations and Maintenance Projects Federal Grant Program*	July 1, 2016 through June 30, 2017
Department of Military Affairs Internal Control Questionnaire Review Results*	As of April 2017
<b>Technology</b>	
Assistive Technology Loan Fund Authority	July 1, 2016 through June 30, 2017
<b>Transportation</b>	
Agencies of the Secretary of Transportation*	July 1, 2016 through June 30, 2017
Department of Motor Vehicles Dealer Board Internal Control Questionnaire Review Results	As of April 2017
Virginia Department of Aviation Internal Control Questionnaire Review Results*	As of June 2017
<b>Special Reports</b>	
2017 Annual Report of the Auditor of Public Accounts	July 1, 2016 through June 30, 2017
2017 Internal Control Questionnaire Results*	January 1, 2017 through December 31, 2017
Commonwealth of Virginia Single Audit Report*	July 1, 2016 through June 30, 2017
Comparative Report of Local Government Revenue and Expenditures	July 1, 2016 through June 30, 2017
Cycled Agency Payroll Review*	July 1, 2015 through June 30, 2016

<b>Special Reports (cont.)</b>	
Local Government Fiscal Distress Monitoring	March 2018
Progress Report on Selected System Development Projects in the Commonwealth*	December 31, 2017
Report on Collections of Commonwealth Revenues by Local Constitutional Officers*	July 1, 2016 through June 30, 2017
Report to the Joint Legislative Audit and Review Commission	April 1, 2017 through June 30, 2017
Report to the Joint Legislative Audit and Review Commission	July 1, 2017 through September 30, 2017
Report to the Joint Legislative Audit and Review Commission	October 1, 2017 through December 31, 2017
Report to the Joint Legislative Audit and Review Commission	January 1, 2018 through March 31, 2018
Revenue Stabilization Fund Calculations	July 1, 2016 through June 30, 2017
Review of Chapter 759/769 Bond Issuance Limit	July 1, 2016 through June 30, 2017

*#Virginia Retirement System audit also includes GASB Statement No. 68 related reports:*

*The Virginia Retirement System has prepared schedules of information that state and local employers and their auditors will need when preparing the employers' financial statements. We audited those schedules and the results of our audit are included in the reports issued by the Virginia Retirement System.*

*Political Subdivision Retirement Plans for the fiscal year ended June 30, 2016  
State Employee Retirement Plan for the fiscal year ended June 30, 2016  
Teacher Retirement Plan for the fiscal year ended June 30, 2016*

*Virginia Retirement System Management's Assertions Related to Census Data for the year ended June 30, 2015*

The following lists the general receivers, courts, magistrates, and state accounts audited during the period July 1, 2017 through June 30, 2018. An asterisk (\*) indicates the report includes audit findings and recommendations. A hashtag (#) indicates an entity for which we issued two or more reports during the audit period.

<b>Judicial and State Accounts</b>			
<b>Circuit Courts</b>			
Accomack*	Craig*	Loudoun	Roanoke
Albemarle*#	Culpeper	Louisa	Roanoke, City
Alexandria*	Cumberland	Lynchburg	Russell*
Alleghany	Danville#	Madison	Salem*
Amelia	Essex	Mecklenburg	Scott
Appomattox#	Fauquier	Middlesex*	Smyth
Arlington*	Floyd*	Montgomery	Spotsylvania
Augusta	Fredericksburg*	Nelson*	Stafford*
Bland	Giles*	New Kent	Suffolk#
Botetourt	Goochland	Newport News*	Surry
Bristol	Greene*	Norfolk*	Sussex
Brunswick	Greensville/Emporia, City#	Page*	Tazewell
Buchanan*	Hampton*	Petersburg*	Virginia Beach
Buckingham	Hanover	Pittsylvania	Warren
Caroline*	Henrico*	Portsmouth*	Westmoreland
Carroll	Highland	Prince Edward	Williamsburg
Charles City*	Hopewell	Prince William*	Williamsburg/James City, County
Charlotte	Isle of Wight	Pulaski	Wise/Norton, City
Charlottesville*#	King George*	Radford	Wythe
Chesterfield	King William*	Rappahannock	York/Poquoson, City
Clarke*	Lancaster	Richmond	
Colonial Heights*	Lee*	Richmond, City	
<b>Circuit Court – Clerk Turnover Audits</b>			
Campbell	Cumberland	Prince William	Wythe
Chesapeake	Patrick	Rockbridge#	
<b>General Receivers</b>			
Alexandria#	Charlottesville*	Lynchburg	Virginia Beach
Arlington	Lee	Nelson	Wise
Buchanan	Loudoun	Russell	
<b>General Receiver – Turnover Audits</b>			
Buchanan	Charlottesville		

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

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



<b>State Accounts (cont.)</b>			
Covington	Isle of Wight	Portsmouth	Winchester
Craig*	James City	Powhatan	Wise
Culpeper	King and Queen	Prince Edward*	York
Cumberland	King George	Prince George	
Danville	King William	Prince William	
<b>State Accounts – Turnover Audits</b>			
Albemarle*	Hampton	Norfolk	Richmond, City
Amherst	Henrico	Petersburg	Salem
Bedford	Hopewell	Portsmouth	
Buena Vista	Manassas Park	Prince George	
<b>Magistrates</b>			
District 1 – City of Chesapeake			
District 2 – City of Virginia Beach*			
District 2A – Counties of Accomack and Northampton			
District 3 – City of Portsmouth			
District 4 – City of Norfolk			
District 5 – Cities of Franklin and Suffolk; Counties of Isle of Wight and Southampton			
District 6 – Cities of Emporia and Hopewell; Counties of Brunswick, Greensville, Prince George, Surry and Sussex			
District 7 – City of Newport News			
District 8 – City of Hampton			
District 9 – City of Williamsburg; Counties of Charles City, Gloucester, James City, King and Queen, New Kent, Mathews, Middlesex, and York			
District 11 – City of Petersburg; Counties of Amelia, Dinwiddie, Nottoway and Powhatan			
District 12 – City of Colonial Heights; County of Chesterfield			
District 13 – City of Richmond			
District 15 – City of Fredericksburg; Counties of Caroline, Essex, Hanover, King George, Lancaster, Northumberland, Richmond, Spotsylvania and Stafford#			
District 16 – City of Charlottesville; Counties of Albemarle, Culpeper, Fluvanna, Goochland, Greene, Louisa, Madison and Orange			
District 17 – County of Arlington*			
District 19 – City of Fairfax and County of Fairfax			
District 20 – County of Loudoun			
District 21 – City of Martinsville; Counties of Henry and Patrick			
District 22 – City of Danville; Counties of Franklin and Pittsylvania			
District 23 – Cities of Roanoke and Salem; County of Roanoke*			
District 24 – City of Lynchburg; Counties of Amherst, Bedford, Campbell and Nelson*			
District 25 – Cities of Buena Vista, Staunton and Waynesboro; Counties of Alleghany, Augusta, Bath, Botetourt, Craig, Highland and Rockbridge*			

**Magistrates** *(cont.)*

District 26 – City of Winchester; Counties of Frederick, Page, Rockingham, Shenandoah and Warren

District 27 – City of Galax; Counties of Carroll, Floyd, Giles, Grayson, Montgomery and Pulaski

District 28 – City of Bristol; Counties of Bland, Russell, Smyth, Tazewell, Washington, and Wythe

District 30 – Counties of Buchanan, Dickenson, Lee, Norton, and Scott

District 31 – County of Prince William#



### Acquisitions and Contract Management

Debrah Stafford, Audit Manager	Helen Henson, Auditor
Sherri DeSimone, Senior Auditor	Tyler Morris, Auditor
Elizabeth Cannon, Senior Auditor	Matthew Holm, Associate Auditor
Jonathan South, Senior Auditor	Noah Wray, Associate Auditor
Carl Fisher, Auditor	

### Budgeting and Performance Management

Duane Miller, Audit Manager	Sarah Lambert, Auditor
Shatima Taylor, Audit Manager	Nicholas Nonnemacker, Associate Auditor

### Capital Asset Management

Katie Collins, Audit Supervisor	Candice Owens, Senior Auditor
Melinda Crawford, Audit Supervisor	Grayson Smith, Senior Auditor
Justin Ferrell, Audit Supervisor	Megan Bridgewater, Auditor
Betsy Wilson, Audit Supervisor	John Palco, Auditor

### Compliance Assurance

Mike Sidell, Audit Manager	Alex Murray, Auditor
Kyle Biggers, Auditor	Bennett Newman, Auditor
John Fox, Auditor	Devin Larson, Associate Auditor
Emily Morones, Auditor	

### Data Analysis

Brittney Chappell, Senior Auditor	Paul Ziebert, Auditor
Minh Huynh, Senior Auditor	James Bigler, Associate Auditor
Shiree Parnell, Senior Auditor	Haley Rasmussen, Associate Auditor
Dawn Scharf, Senior Auditor	Zach Krigelman, Database Administrator
Joseph Surma, Senior Auditor	Patrice Mays, Database Administrator
Ethan Mills, Auditor	Dylan Ilvento, Web Developer
Michael Walsh, Auditor	

### Higher Education Programs

Jimmy Quesenberry, Audit Manager	Scott Booker, Auditor
Jenny Schoeller, Audit Manager	Anjie Jacobs, Auditor
David Duffy, Senior Auditor	Curtis Price, Auditor
Meghan Finney, Senior Auditor	Kelci Simonsen, Auditor
Jeannie Kim, Senior Auditor	Justin Rhodes, Associate Auditor
Chuck Schauvliege, Senior Auditor	Zack Waskin, Associate Auditor

## Human Resources and Business Operations

### Human Resources

Christina Hansen, HR Senior Specialist  
Haley Clark, HR Specialist  
Rebecca Hackett, Receptionist

### Accounting

Shannon Hargitt, Senior Accountant  
Ashley Newman, Accountant  
**Reports and Graphics Division**  
Chardon Jones, Senior Specialist  
Vanessa Scherzer, Associate

## Information Systems and Office Technology

### Information Systems Security

Blake Bialkowski, Audit Manager  
Alex Roeglin, Audit Supervisor  
Kristina Kemp, Audit Supervisor  
Danese Seabourne, Audit Supervisor  
Christopher Cookson, Associate Auditor  
Cory Owens, Associate Auditor

### Office Technology

Wendi James, Manager  
Robert Gibbons, IT Staff  
Wendy Hudson, IT Staff  
Keith Vollero, SharePoint Administrator

## Information Technology Project Management

Jeffrey Finke, Audit Supervisor  
Nicole Bennett, Senior Auditor  
Christian Langston, Senior Auditor  
Gregg Hansen, Auditor

Bailey Lien, Auditor  
Jeannine Budynas, Associate Auditor  
Megan Underwood, Associate Auditor

## Local Government and Judicial Systems

### Local Government

Rachel Reamy, Audit Manager

### Judicial Systems

Stephanie Serbia, Audit Supervisor  
Delores Chamberlain, Senior Auditor  
Randall Johnson, Senior Auditor  
Leslie Pochkar, Senior Auditor

Katherine St. Lawrence, Senior Auditor  
Daniel Stanley, Senior Auditor  
Lindsey Tatum, Senior Auditor  
Tracy Vaughan, Senior Auditor  
Brenda Watkins, Senior Auditor  
Pamela Williams, Senior Auditor

## Reporting and Standards

Holly Stout, Audit Manager  
Reann Chiappinelli, Audit Supervisor  
Brian Deveney, Audit Supervisor  
Lauren Bennett, Senior Auditor  
Ryan Carter, Senior Auditor

Anna Clark, Senior Auditor  
Amy Stokes, Senior Auditor  
Susan Bagato, Auditor  
Crystal Katovsich, Associate Auditor  
Sydney Rampey, Associate Auditor

### Strategic Risk Management

David Rasnic, Audit Manager  
Lauren Figg, Senior Auditor  
Lauren Griemsman, Senior Auditor  
Stephen Peeks, Senior Auditor

Briana Gray, Senior Auditor  
Gary Gammon, Auditor  
Scott Reynolds, Auditor  
Edmund Viar, Auditor