



## **Review of Prior Year Results**

## **Presentation of Annual Work Plan**

---

June 8, 2015

Martha S. Mavredes, Auditor of Public Accounts

Staci A. Henshaw, Deputy Auditor

## Overview

---

- Peer Review Results
- Other Activities
- Prior Work Plan Results
- Work in Progress
- Proposed 2016 Work Plan
- Proposed Salary Scales

## Peer Review Results

---

- Conducted by the National State Auditors Association
- For the period March 1, 2014 through February 29, 2015
- Received highest rating of pass on work performed
- No deficiencies included in the report

## Other Activities

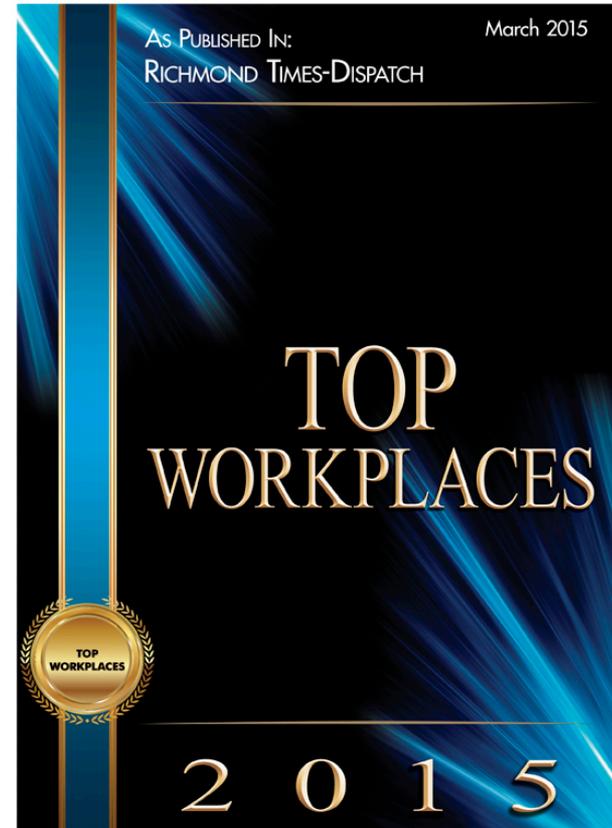
---

- Respond to proposals for changes to accounting and auditing standards
- Make presentations to General Assembly and local government groups
- Maintain *Commonwealth Data Point*
- Perform quality control reviews of CPA firms auditing Virginia local governments

## Other Accomplishments

---

- On March 23rd, the APA was recognized as one of Richmond's Top 60 Workplaces in the Metro Business section of the Richmond Times-Dispatch.



# Staffing Overview

## Staffing Levels

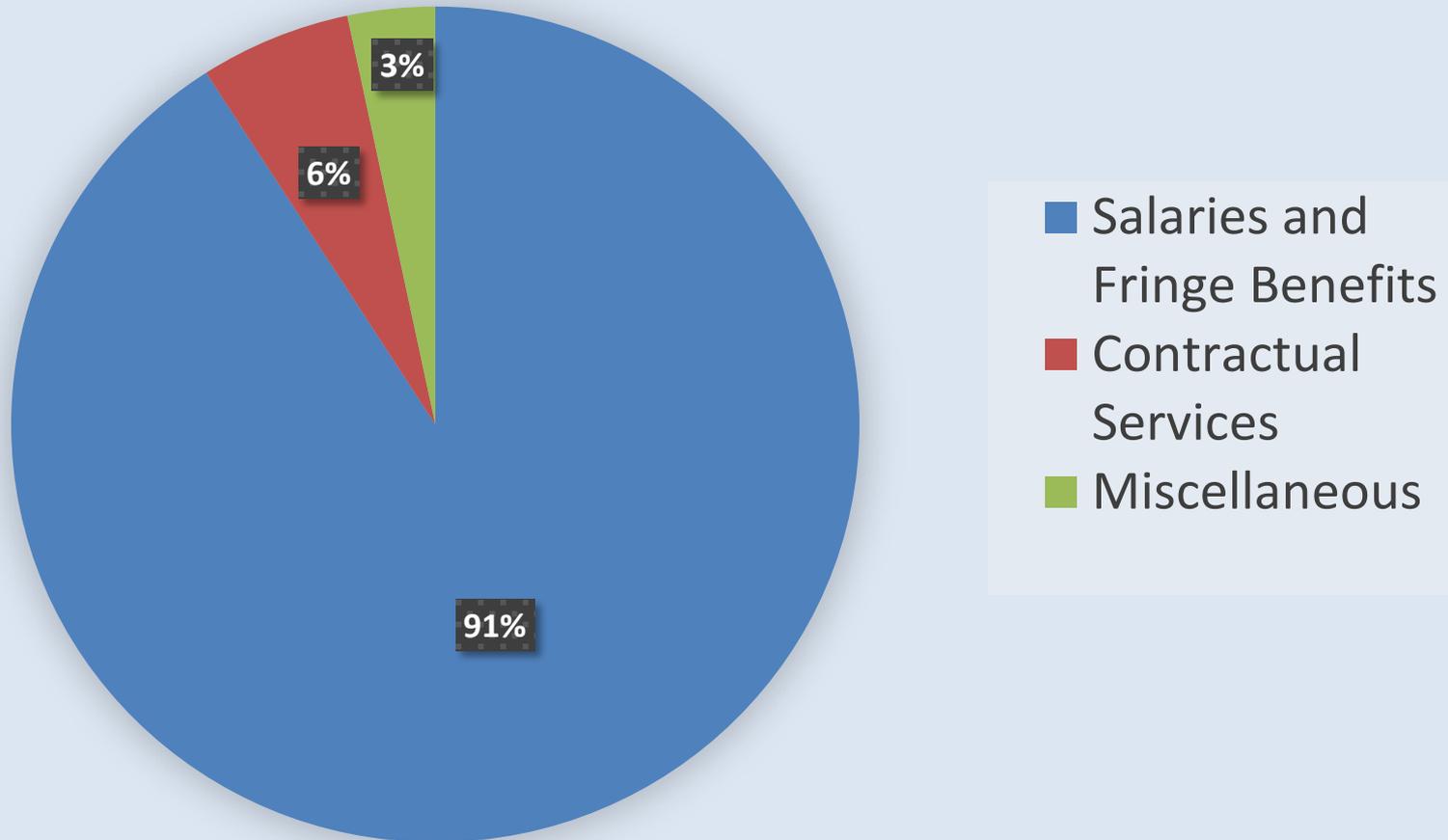
— Actual — Approved



	July-11	July-12	July-13	July-14	July-15
— Actual	103	107	112	119	120
— Approved	130	130	130	130	130

# Our Staff are Our Biggest Investment

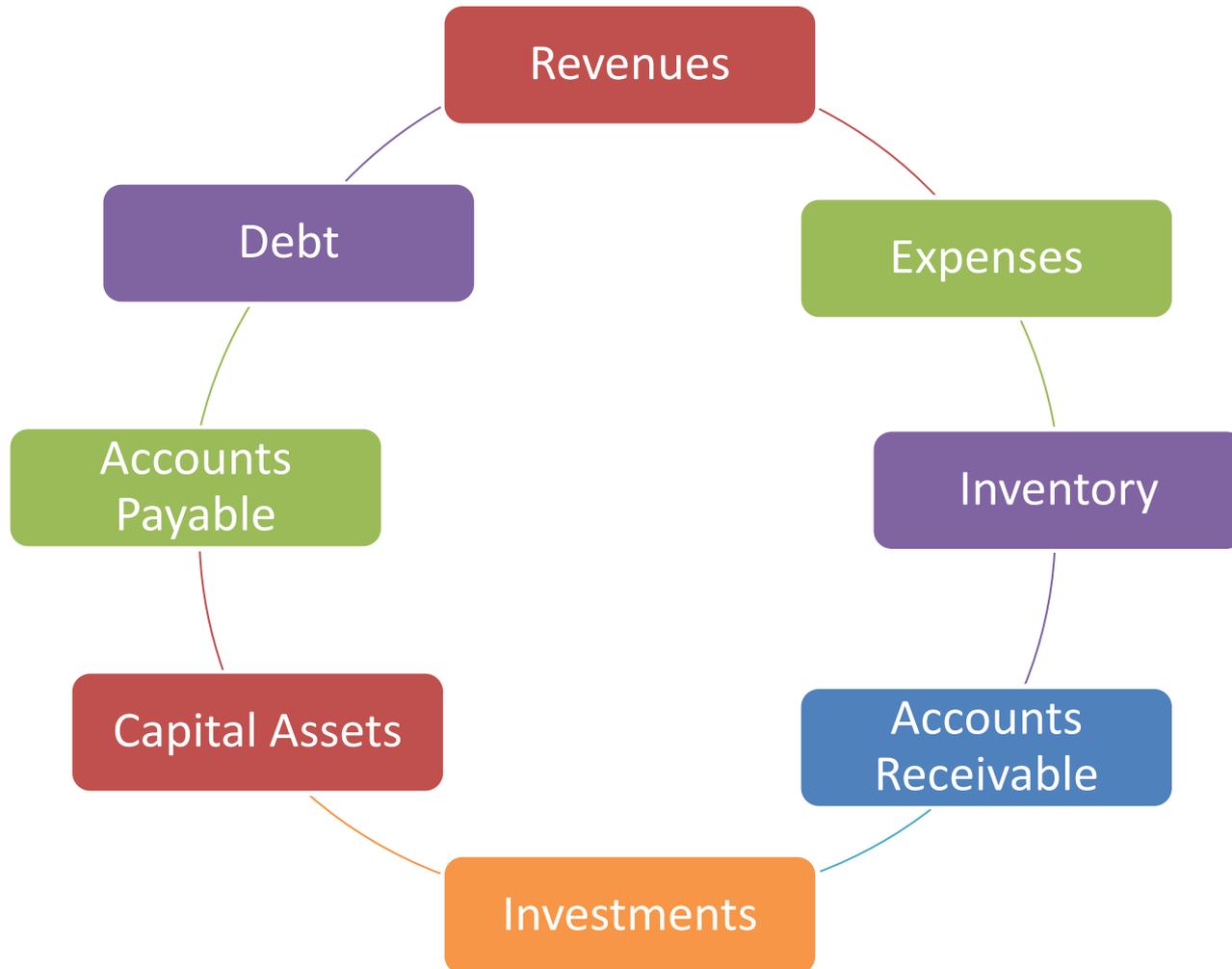
## FY2015 Year-to-Date Expenses



# What do we audit?

## Account Balances and Corresponding Internal Controls

---



# What do we audit?

Compliance with Laws, Regulations, Contracts, and Grant Agreements

---

Public  
Procurement  
Act

Security for  
Public  
Deposits Act

Information  
Security  
Standard

Appropriation  
Act

Federal  
Regulations

Conflict of  
Interests Act

## Prior Work Plan Results

---

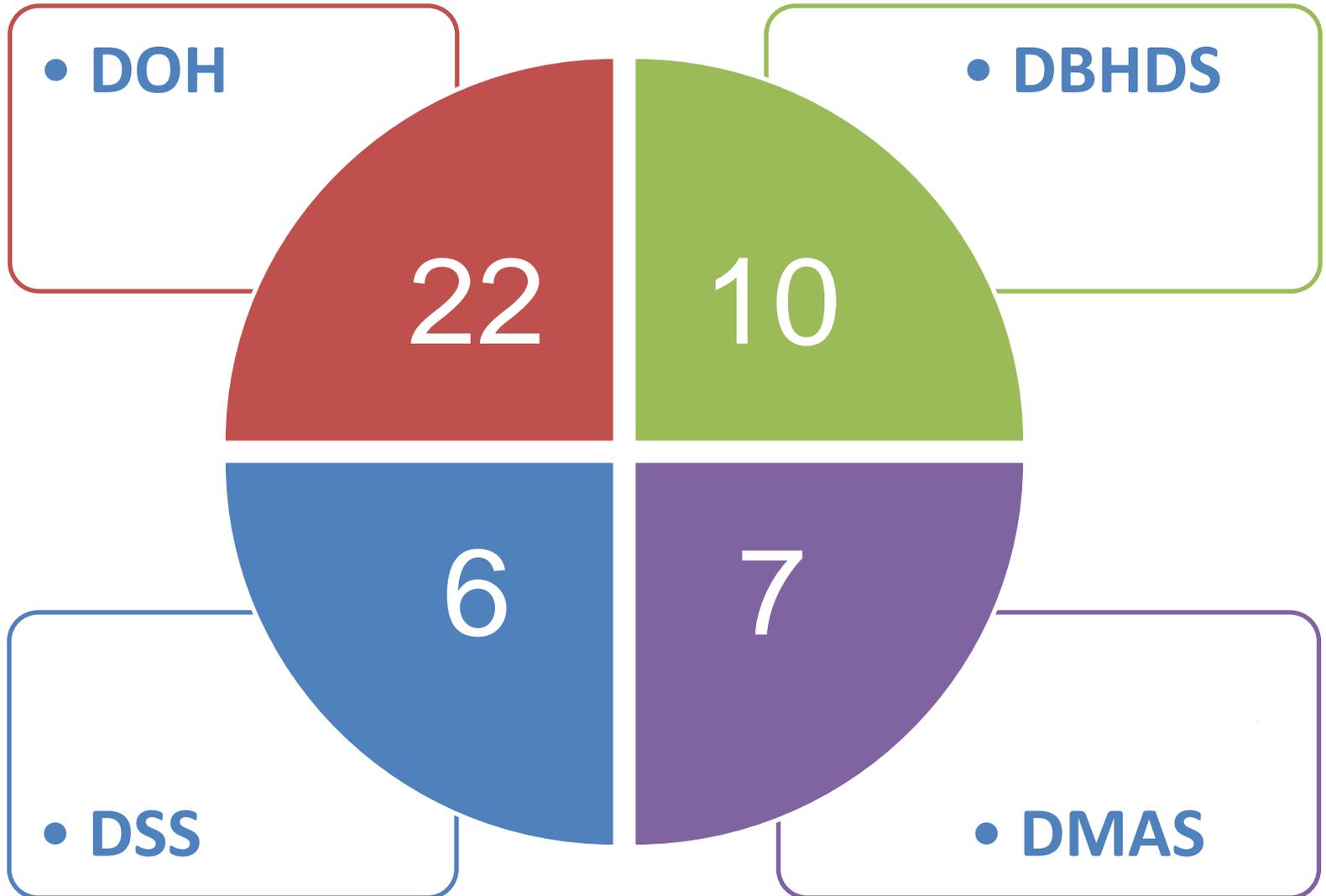
- Issued 628 Reports
  - Including financial statement, financial related and special reviews
  - Including audit of the Commonwealth's financial statements (CAFR) and federal programs (Single Audit)

# CAFR and SSA Results

CAFR Related Internal Control and Compliance Findings		
	2014	2013
Systems Controls		
<i>Access Controls</i>	15	15
<i>System Security</i>	35	12
<i>Application Controls</i>	3	2
<i>General Controls</i>	0	2
Financial Reporting	3	5
Expenditures	3	4
Revenues	1	3
Inventory	1	2
Other	9	6
Payroll	4	0
Retirement System Data	4	0
Fixed Assets	1	0
Procurement	1	0
<b>TOTALS</b>	<b>80</b>	<b>51</b>

Federal Compliance Findings		
	2014	2013
Reporting	5	5
Special Tests and Provisions	8	6
Sub-recipient Monitoring	3	2
Cash Management	3	1
Eligibility	1	0
Davis-Bacon Act	0	1
Other/Internal Control	3	2
Procurement	2	0
<b>TOTALS</b>	<b>25</b>	<b>17</b>

# Audit Results: Secretary of Health and Human Resources



## Audit Results: Secretary of Health and Human Resources (continued)

---

- 6 findings for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Program at Health resulted in a modified opinion on compliance in Statewide Audit of federal funds

## Audit Results: Secretary of Health and Human Resources (continued)

---

- **1** risk alert related to the Commonwealth of Virginia's compliance with its settlement agreement with the United States Department of Justice
- **10** findings related to Information System User Access
- **11** additional findings related to Federal Compliance

# Audit Results: Virginia Employment Commission

---

- Findings included two material weaknesses
  - Material error in accounts receivable
  - Lack of adequate resources allocated to the information systems security program
- VEC is involved in information system development projects to replace key systems; this impacted resources available for the information systems security program.

# Audit Results: Virginia Department of Transportation

---

- Repeat Findings:
  - Financial Reporting (*material weakness*)
  - Sub-recipient Monitoring
  - Federal Reporting

## Audit Results: Virginia Department of Transportation (continued)

---

- New Findings:
  - Web Application Security
  - Information Security Officer Designation
  - Restorative Maintenance Project Reviews
  - Voucher Review Process
  - Compliance with Code of Federal Regulations

## Audit Results: Norfolk State University

---

- Completed the fiscal year 2014 audit in January
- Contracted with CPA firm for staff to assist
- Continued to have some areas with material weaknesses
  - Fixed asset management
  - Accounts payable processes
  - Maintain documentation for audit

## Audit Results: Norfolk State University (continued)

---

- Average audit hours for the last two fiscal years (2013 and 2014) – 1,816 hours
- 488 hours of total audit hours provided by contract staff (CPA Firm)
- Fiscal Year 2015 audit is in progress

# Audit Results: Virginia Retirement System

---

- Comment to Management
  - Coordination between agencies to ensure accurate management of member data
- 2 Deficiencies in Internal Control
  - Processing of supplemental benefits
  - Documentation of policies and procedures for purchase of prior period service and monitoring override activity

# Audit Results: Virginia State Police

---

- Risk Alert:
  - Transformation Strategy for State Police and VITA
- Information Technology Findings:
  - Motor Vehicle Inspection Program Web Application Security
  - Excessive Computer Permissions
  - Database System Software (repeat)
  - Information Security Officer (repeat)

## Audit Results: Virginia State Police (continued)

---

- Other Findings:
  - Financial Management System Controls (repeat)
  - Fixed Asset Internal Controls and Processes
  - Small Purchase Charge Card Controls
  - Processes over Work Zone Project Billings
  - Record Retention Schedules

# Audit Results: Virginia Health Workforce Development Authority

---

- Repeat Findings:
  - Budget Approval and Financial Reporting
  - Procurement
  - Separation of Duties
  - Reconciliations
  - Accounting and Financial Policies
- New Finding:
  - Expense Approval

## Audit Results: Judicial Agencies

---

- Repeat Findings:
  - Internal Software Development Costs
  - Database Security
  - Information Security Program
  - Information Security Officer
  - Sensitive Systems Risk Assessment and Contingency Planning Documentation

## Audit Results: Judicial Agencies (continued)

---

- New Finding:
  - No Criteria for Distinguishing Between Project and Enhancement for System Development Projects

## Audit Results: Review of Surplus Procedures for Electronic Devices with Storage

---

- Insufficient guidance to agencies in the Commonwealth's data removal standard
- No requirement for agencies to assign responsibility for data sanitization
- Insufficient follow-up on IT Partnership corrective action plans for data sanitization procedures

## Audit Results: Statewide Travel Review

---

- Multi-phase project
- Interim report issued in January 2015
- Initial phase focused on:
  - Gaining an understanding of statewide travel processes
  - Analysis of fiscal year 2012 and 2013 statewide travel expenses

## Audit Results: Statewide Travel Review (continued)

- Annual statewide travel expenses were close to \$200 million, 2/3 of expenses occurred at colleges and universities

	2012		2013	
Travel expenses – Colleges and universities	\$ 124,533,448	65%	\$ 128,380,902	65%
Travel expenses – State agencies	67,083,476	35%	69,248,446	35%
<b>Total Statewide Travel Expenses</b>	<b>\$ 191,616,924</b>		<b>\$ 197,629,348</b>	

- Virginia Tech, UVA (academic), VCU and GMU were the top four spending agencies statewide

## Audit Results: Statewide Travel Review (continued)

	Virginia Tech	UVA	VCU	GMU
University designation	Level III	Level III	Level III	Level II
Automated travel reimbursement system?	Yes	No	Yes	Yes
Travel agency contract?	Yes	No	Yes	Yes
Mandatory use of travel agency?	No	No	Yes	No
Top Travel Expense Type (fiscal year 2013)	Lodging	Lodging	Public Carrier	Public Carrier
Top Travel Expense Program (fiscal year 2013)	Sponsored Programs	Auxiliary Enterprises	Instruction	Sponsored Programs

## Audit Results: Statewide Travel Review (continued)

---

- Next phase of this project will include
  - Additional analysis of statewide travel expenses
  - Analysis of organizational models for travel processing, including contracting options
  - Survey of different technologies and strategies agencies are using to minimize travel
- Expect to issue next report in 2016

## Audit Results: Capital Project Cash Flow Requirements

---

- Original intention of the process was to move projects through three separate pools each Session, allowing the General Assembly to stop a project, if desired.
- Process could cause delays and inaccurate construction estimates due to the passage of time and cost fluctuations.

## Audit Results: Capital Project Cash Flow Requirements (continued)

---

- \$250 million issuance limit over Chapter 806 pool funded projects seems redundant.
- Debt capacity limit is already in place that should drive the amount of debt issued each year for all capital projects rather than having a limit over one specific bond authorization.

## Audit Results: Capital Project Cash Flow Requirements (continued)

---

- Project delays occurred for three reasons:
  - Lack of available planning funds in the Central Capital Planning Fund (only funded at \$15.1 million)
  - DPB does not appear to have the resources necessary to address its responsibilities timely
  - Agencies are not timely in their submissions  
DPB

# Audit Results: Audit and Oversight Provisions of Supervisory Entities

---

- Report issued February 2015
- Follow up to our 1999 review
- Purpose
  - Evaluate changes made to the legislative process in response to our 1999 report
  - Accumulate a list of governmental entities in Virginia, other than localities
  - Evaluate the entities' compliance with reporting requirements

## Audit Results: Audit and Oversight Provisions of Supervisory Entities (continued)

---

- Key recommendations for General Assembly to consider:
  - Study the process for creating supervisory entities
  - Requiring a state agency to monitor the creation of state and local authorities, boards, and commissions
  - Examine and develop consistent audit and oversight provisions

## Audit Results: Audit and Oversight Provisions of Supervisory Entities (continued)

---

- Key recommendations for General Assembly to consider:
  - Permit or require the governing body creating the entity to perform or authorize limited reviews and other oversight activities
  - Study whether a local government creating a supervisory entity should have the power to dissolve the entity
  - Clarify whether the entities are required to report suspected fraud under the Code of Virginia

## Prior Work Plan Results: Other Issues

---

- Continue to review and investigate frauds and other complaints
- Auditing of Cardinal Implementation
- Auditing Statements of Economic Interests
- myVRS Navigator Reconciliations

## Work in Progress: Special Reports

---

- Review for Potential Improper Benefit Payments
- Statewide Review of Mobile Devices
- Study of Bureau of Facilities Management
- Statewide Review of Vehicle Usage

## Work in Progress: Special Reports

---

- Study of Usage of Sub-recipient Schedule of Expenditure of Federal Awards
- Review of Performance Measures
- 2015 State of Information Security in the Commonwealth of Virginia

## Work in Progress: Special Reports

---

- Review of Commonwealth's Cardinal System Implementation and Oversight
- Review of Integration Challenges between Virginia's Procurement and Financial Systems (Part 1)
- Review of Independent Financial Systems and Recommendations of Future Cardinal Functionality (Part 1)

## Work put on Hold

---

- Statewide Review of Voyager Fuel Card Program

## Projects Removed from Work Plan

---

- Security of Internet Facing Websites
- Review of Non-General Fund Budgeting Process
- Higher Education Alternative Financing Study
- Statewide Review of Teleworking Data Risks

## Proposed 2016 Work Plan

---

- Annual work plan = work performed during most of fiscal year 2016
- CAFR, Statewide Single Audit, mandatory and special projects are major focus
- Use risk factors to determine the audit work to be performed with remaining resources

## Work Plan Comparison

---

Proposed FY 2016 Work Plan	133,523
Prior Year Work Plan	<u>128,095</u>
Increase	5,428

FY 2016 work plan includes additional hours for new pension standards and anticipates higher staffing levels.

## Total Hours by Function

---

### Statewide and Agency Projects:

Special Projects	9,225
Judicial Branch	365
Executive Departments	88,043
Cycled Agencies	5,120
Independent Agencies	10,170
Local Governments, Clerks, and Courts	<u>20,600</u>
<b>TOTAL WORK PLAN</b>	<u><b>133,523</b></u>

## Hours by Executive Departments

---

Executive Offices and Administration	2,780
Agriculture and Forestry	600
Commerce and Trade	3,722
Education (including Higher Ed)	43,191
Finance	17,090
Health and Human Resources	9,845
Natural Resources	1,150
Public Safety	3,760
Technology	425
Transportation	5,390
Veterans Affairs and Homeland Security	<u>90</u>
Total Hours by Executive Departments	<u>88,043</u>

## Types of Special Projects

---

- Projects Required by Legislation, Statute, or Appropriation Act
- Projects Determined by an Analysis of Risk

## Special Projects: Required by Legislation, Statute, or Appropriation Act

---

- Maintaining *Commonwealth Data Point* Internet Database
- Review of Performance Measures
- Capital Project Cash Flow Requirements
- APA Annual Report

## Special Projects: Required by Legislation, Statute, or Appropriation Act

---

- NCAA Workgroup
- SCHEV Workgroup
- MEI Project Approval Commission
- PPEA Comprehensive Agreement Review

## Special Projects: Risk Based Analysis

---

- Comparative Report for Higher Education
- Progress Report on Selected Systems Development Projects in the Commonwealth
- State of Information Security in the Commonwealth

## Special Projects: Risk Based Analysis

---

- Review of Independent Financial Systems and Recommendations of Future Cardinal Functionality (Part 2)
- Review of Integration Challenges between Virginia's Procurement and Financial Systems (Part 2)

## Special Projects: Risk Based Analysis

---

- Statewide Analysis of Cardinal
- Review for Potential Improper Benefit Payments
- Statewide Review of Travel (Part 2)

## Salary Scales

---

- Adjustments reflect changes in 2015 Appropriation Act effective August 10, 2015
- Minimum scales increase 2% and maximum scales increase 2% plus \$2,400
- Bonuses may also be given during the year to reward exceptional performance or passing professional exams
- Raises may be given within the salary bands and will follow our compensation plan and budget

# Salary Scales

Position	<u>Number of Positions</u>		Present Scale	Proposed Scale Effective August 10, 2015
	2015	2016		
Deputy Auditor	1	1	\$91,245 - \$167,141	\$93,070 - \$172,883
Project Leader	14	14	69,851 - 154,616	71,248 - 160,108
Auditor	88	88	46,788 - 100,491	47,723 - 104,901
Staff	27	27	28,782 - 67,962	29,358 - 71,721
<b>Total</b>	<b>130</b>	<b>130</b>		

## Requested Actions

---

- Approval of the Overall Work Plan
- Approval of the Salary Scales