



# AUDITOR OF PUBLIC ACCOUNTS

## QUARTERLY REPORT SUMMARY

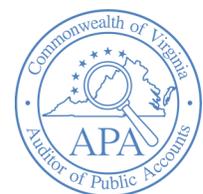
OCTOBER 1, 2020 THROUGH DECEMBER 31, 2020

Auditor of Public Accounts

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## QUARTERLY REPORT SUMMARY – OCTOBER 1, 2020, TO DECEMBER 31, 2020

### Audit Activities

The [Summary of Reports Issued](#) section at the end of this report lists all reports issued by the Auditor of Public Accounts or our contracted firms during the period October 1, 2020, to December 31, 2020. Below are highlights from select reports issued during the period. All reports listed in this document are available at our website at [http://www.apa.virginia.gov/APA\\_Reports/Reports.aspx](http://www.apa.virginia.gov/APA_Reports/Reports.aspx).

### *Higher Education Reports*

#### University of Virginia

Our audit of the [University of Virginia](#) (UVA) for the year ended June 30, 2020, which includes UVA Medical Center and UVA Wise, found the University continues to work to address prior year recommendations related to segregation of duties within the payroll and human resources system and ensuring compliance with the Commonwealth's Conflict of Interest Act requirements. In addition, the University should improve the Form I-9 completion process in student hiring to ensure compliance with federal employment eligibility regulations. Medical Center management should review controls around an important database supporting its accounting and financial reporting system and determine whether the Medical Center can employ certain technological best practices in the database to reduce security concerns. Further, the Medical Center should reprogram the software it uses to track and remit unclaimed property to the Commonwealth's Department of the Treasury to ensure compliance with the Code of Virginia § 55.1 and remit unclaimed property timely. Regarding cash management, the Medical Center needs to improve its reconciliation of cash held in its bank account to the accounting system and improve the review of journal entries associated with cash accounts. Lastly, Medical Center management should strengthen their review over calculations used to create Medicaid cost settlement estimates accrued in the financial statements to detect and correct preventable errors.

#### Virginia Polytechnic Institute and State University

Our audit of [Virginia Polytechnic Institute and State University](#) (Virginia Tech) found it did not complete its corrective action over reporting enrollment data to the National Student Loan Data System in response to the 2018 finding. As a result, Virginia Tech did not certify timely five of 23 students that graduated in the fall of 2019 to NSLDS. In addition, Virginia Tech did not properly prepare its Schedule of Expenditures of Federal Awards supporting schedule that details the amounts Virginia Tech disbursed to subrecipients, overstating the disbursements by \$14.1 million. Finally, Virginia Tech did not close out three of ten research grants timely in accordance with Federal Uniform Guidance. Virginia Tech should improve controls and processes surrounding federal grants.

### Frontier Culture Museum of Virginia

The Auditor of Public Accounts conducted two separate reviews of the [Frontier Culture Museum of Virginia](#) (Museum): a performance audit of the Museum's information system security controls and an Internal Control Questionnaire review of the Museum's fiscal and administrative processes. Results of these reviews are generally reported in either a comprehensive report or a letter to management, respectively. However, because of the significance of the issues identified during these reviews, a combined special report was prepared. During both reviews, we determined that the Museum does not have sufficient policies and procedures, which are the foundation for the internal control environment. In addition, we determined the Museum is not in compliance with several state requirements. We noted issues related to information system security, capital assets, payroll and human resources, general internal controls, and revenues. The underlying cause of the issues appears to be significant turnover in the last two years.

### Office of Executive Secretary of the Supreme Court of Virginia

We audited the retirement benefits system and information system security control processes for the Judicial Branch, which are the responsibility of the [Office of the Executive Secretary](#) (Executive Secretary) of the Supreme Court of Virginia. We found that the Executive Secretary should strengthen information systems security controls related to its information security officer, disaster recovery, risk assessment and contingency planning documentation for sensitive systems, oversight of third-party service providers, information technology audits, and risk analysis for exceptions to the acceptable use policy.

In addition, the Executive Secretary should establish memoranda of understanding with separate judicial agencies and improve retirement benefits system reconciliation documentation and procedures. We did not review management's corrective action on some prior year findings identified as deferred to allow the Executive Secretary sufficient time to implement corrective action.

### Virginia Biotechnology Research Partnership Authority

Our audit of the [Virginia Biotechnology Research Partnership Authority](#) (Authority) for the year ended June 30, 2020, includes a risk alert relating to the Authority's capital project at 8th and Leigh Streets. The Authority spent approximately \$2.4 million of its projected \$50 million total during the year. Excluding a 2001 debt issuance that was fully backed by a capital lease with the Commonwealth of Virginia, the capital project would result in the Authority's largest debt issuance in its history, requiring annual debt service payments likely to exceed the aggregate of its current annual outflows. Due to the market impact of the COVID-19 pandemic and uncertainty relating to the availability of project financing, we recommended the Board be intentional about its delegation of authority for significant contractual decisions and consider obtaining an updated market analysis study before accepting \$50 million in debt.

## Special Reports

### Report on Compliance – NCAA Subsidy Percentage Requirements

This report includes a summary of compliance for the fiscal year ended June 30, 2019, by Virginia’s institutions of higher education with the provisions of § 23.1-1309 of the Code of Virginia, which directs institutions to minimize the use of student fees or other institutional sources derived from students to subsidize intercollegiate athletic department revenues. As the COVID-19 pandemic continues to disrupt normal athletic department activities, we expect that many institutions may not be compliant with subsection C and/or subsection D of § 23.1-1309 of the Code of Virginia by the end of fiscal year 2021 without specific legislative relief. Access the [Full Report](#) on our website.

### Virginia District Court System

This statewide report summarizes the findings from our audit of the District Court System for the fiscal year ended June 30, 2019. Our audits resulted in findings in 41 courts, some of which had multiple findings. The most common finding was related to the proper billing and collection of court fines, costs, and fees. The potential financial impact of these findings are state revenue losses of approximately \$50,500, locality revenue losses of approximately \$2,700, defendants being overcharged approximately \$18,500, and tax set-off losses of nearly \$5,000. Access the [Full Report](#) on our website.

## Other Reports

During the quarter, we issued the [2020 Annual Report of the Auditor of Public Accounts](#). This report provides an overview of the more significant activities of our Office and results of audits from the past year.

We also issued our report on [Revenue Stabilization Fund Calculations for the year ended June 30, 2020](#), which includes calculations for the Revenue Stabilization Fund as required by Article X, Section 8 of the Virginia Constitution and Section 2.2-1829 of the Code of Virginia. As of June 30, 2020, the balance in the Revenue Stabilization Fund was \$558.4 million. During fiscal year 2020, no withdrawal from the Fund occurred. A deposit to the Fund was made as required based on actual tax collections during fiscal year 2018. The General Assembly is required to make a mandatory deposit of \$77,409,780 to the Revenue Stabilization Fund in fiscal year 2021 based on fiscal year 2019 certified tax revenues.

We issued our second report on [Revenue Reserve Fund Calculations for the year ended June 30, 2020](#), which includes calculations for the Revenue Reserve Fund as required by Section 2.2-1831.3 of the Code of Virginia. As of June 30, 2020, the balance in the Revenue Reserve Fund was \$513.2 million. The balance of the Fund does not exceed the maximum fund allowed. A deposit to the Fund is not required during fiscal year 2022 based on certified tax revenues for fiscal year 2020, as actual general fund revenue was less than the official revenue forecast as included in Chapter 1283, of the 2020 Acts of Assembly.

Finally, during this quarter we completed our audit of the [Commonwealth's Comprehensive Annual Financial Report](#) for the year ended June 30, 2020, issuing an unmodified opinion on the Commonwealth's financial statements.

## Other Activities

### *Auditor of Public Accounts Retirement and Appointment*

In October, the Auditor of Public Accounts, Martha Mavredes, announced her retirement effective January 1, 2021, after eight years in the position. Martha was the first woman to serve as the Auditor of Public Accounts in Virginia. In December, the Joint Legislative Audit and Review Commission recommended Staci Henshaw, the Deputy Auditor of Public Accounts, for appointment as the next Auditor of Public Accounts, subject to election by the General Assembly.

### *Officewide Meeting*

In November, we conducted a virtual officewide meeting as part of our efforts to promote staff engagement. The retiring Auditor shared some outgoing remarks with the staff. To help everyone feel connected, various employees shared activities, crafts, projects, home renovations, and life events that have happened in their lives while working virtually. We also provided an administrative update about our budget, strategic planning progress, and what our Office might look like post pandemic.

### *Monitoring Accounting and Auditing Standards*

During the quarter, our Office reviewed and provided a response to the exposure draft of a proposed Statement on Auditing Standards (SAS) entitled *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement* by the American Institute of Certified Public Accountants Auditing Standards Board, which is a standard setting body that governs the auditing standards we follow in performing our audits. Being a part of this process allows us to stay informed of upcoming changes. In addition, by providing feedback to the standard setting bodies on proposed changes we help protect the interests of the Commonwealth in circumstances where we do not agree with the proposed changes.

### *Participation with State, Local, and Other Groups*

In addition to our audit activities, we participate in other activities to assist in our mission to improve accountability and financial management in the Commonwealth. During the quarter, we participated in the activities of various state, local, and other groups including providing information on a variety of topics and attending events as highlighted on the following page.

Group	Presentation/Training Topic
Fiscal Officers of Colleges and Universities State Supported	Provided an overview of the Auditor of Public Accounts (APA) work plan; the CARES Act funding, including the Higher Education Emergency Relief funds, and APA’s audit approach; changes to NCAA agreed upon procedures; staffing related to upcoming college and university audits; and common findings and results.
New Constitutional Officer Training	Presented information on the Compensation Board and the role of the APA.
Virginia Government Finance Officers Association Fall Virtual Conference	Provided an overview on the Office’s oversight responsibilities for local governments to include: various audit and reporting requirements specific to our Audit Specifications, the Uniform Financial Reporting Manual, and the Comparative Report process; key changes from the 2019 and 2020 legislative sessions that impact local government audits and annual reporting; key resources and information specific to COVID-19 to assist local government financial reporting; the Office’s annual quality control review process over CPA firms auditing Virginia’s local governments; and updates on the Office’s annual local fiscal distress monitoring process.
Virginia Society of Certified Public Accountants (VSCPA)	Presented a course on ethics for newly licensed CPAs. As a Virginia Board of Accountancy approved provider, this is one of the new ethics courses the VSCPA is providing based on practice areas or other topics.
Virginia Tech Local Government Finance Discussions	Discussed key reminders on the fiscal year 2020 local government annual financial reporting deadline and the impacts on the local fiscal year 2020 Single Audits relating to the federal Office of Management and Budget Compliance Supplement Addendum for auditing the CARES Act Coronavirus Relief Funds.

### *Community Involvement*

In December, APA employees held an annual holiday fundraiser to support Richmond Feed More. Each year, over 800,000 people in Virginia struggle to afford a holiday meal, and due to the pandemic, Richmond Feed More estimated that there would be four times the number of needy families this year. APA employees generously donated \$1,339 to Feed More, which allowed the food bank to purchase items such as fresh dairy products, baby items, high-protein fresh foods, and other staples.

## SUMMARY OF REPORTS ISSUED

This Office released the following reports during the period October 1, 2020, to December 31, 2020. Those reports which included findings in the area of internal controls or compliance are indicated by an (\*) asterisk.

### State Agencies and Institutions

#### Judicial Branch

Office of Executive Secretary of the Supreme Court of Virginia for the year ended June 30, 2019\*  
Virginia State Bar for the year ended June 30, 2019\*

#### Independent Agencies

State Corporation Commission – Audit of Select Cycles – for the year ended June 30, 2019\*  
Virginia Alcoholic Beverage Control Authority for the year ended June 30, 2020\*  
Virginia Retirement System for the year ended June 30, 2020

#### Executive Departments

Office of the Attorney General and Department of Law and Division of Debt Collection for the year ended June 30, 2019\*

#### Administration

Department of General Services' Bureau of Real Estate Services for the year ended June 30, 2020\*

#### Commerce and Trade

Virginia Biotechnology Research Partnership Authority for the year ended June 30, 2020

#### Colleges and Universities

University of Virginia for the year ended June 30, 2020\*  
Virginia Polytechnic Institute and State University for the year ended June 30, 2020\*  
Virginia Polytechnic Institute and State University Report on Statement of Expenditures for the period ending December 31, 2019

## Public Safety and Homeland Security

Department of Corrections including the Virginia Parole Board for the year ended June 30, 2020\*  
Department of Military Affairs Internal Control Questionnaire Review Results as of August 2020\*

## Technology

Innovation and Entrepreneurship Investment Authority and Center for Innovative Technology for the year ended June 30, 2019\*

## Special Reports

2020 Annual Report of the Auditor of Public Accounts  
Report on Compliance – NCAA Subsidy Percentage Requirements for the year ended June 30, 2019  
Report to the Joint Legislative Audit and Review Commission for the quarter April 1, 2020, through June 30, 2020  
Report to the Joint Legislative Audit and Review Commission for the quarter July 1, 2020, through September 30, 2020  
Revenue Reserve Fund Calculations for the year ended June 30, 2020  
Revenue Stabilization Fund Calculations for the year ended June 30, 2020  
Review of the Frontier Culture Museum of Virginia – November 2020\*  
Virginia District Court System for the year ended June 30, 2019

## Clerks of the Circuit Courts

### Cities:

Newport News – January 1, 2019, through June 30, 2020\*  
Norfolk – April 1, 2019, through March 31, 2020  
Radford – April 1, 2019, through September 30, 2020  
Richmond – April 1, 2019, through June 30, 2020

### Counties:

Accomack – July 1, 2018 through June 30, 2020\*  
Charles City – January 1, 2019 through June 30, 2020\*  
Culpeper – April 1, 2019 through September 30, 2020  
Orange – April 1, 2019 through June 30, 2020\*  
Scott – July 1, 2019 through September 30, 2020  
Spotsylvania – January 1, 2019 through June 30, 2020  
Sussex – January 1, 2019 through September 30, 2020\*  
Warren – April 1, 2019 through September 30, 2020  
Washington – April 1, 2020 through September 30, 2020\*

State Accounts (for the year ended June 30, 2020)

Cities:

Bristol	Fredericksburg	Norfolk*	Virginia Beach
Buena Vista	Hampton	Petersburg*	Waynesboro
Charlottesville	Harrisonburg	Poquoson	Williamsburg
Colonial Heights	Lexington	Portsmouth	
Covington	Martinsville	Richmond	
Danville*	Newport News	Suffolk	

Counties:

Accomack	Fauquier	King William ❖	Richmond
Alleghany	Fluvanna*	Lee	Roanoke
Arlington	Giles	Loudoun	Smyth
Bland	Gloucester	Lunenburg	Stafford
Buchanan	Grayson	Montgomery	Surry
Carroll	Halifax	Nelson	Sussex*
Charles City	Henry	Northampton	Wise
Clarke	James City*	Pittsylvania	York
Essex	King and Queen	Prince Edward	
Fairfax	King George*	Prince George	

General Receivers (for the year ended June 30, 2020)

Cities:

Lynchburg

Counties:

Russell	Wise
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Combined District Courts (for the period July 1, 2019, through June 30, 2020)

Counties:

Charles City	Dinwiddie	Russell	
Dickenson	Madison	Scott	Surry (July 1, 2018, through June 30, 2019)

General District Courts (for the period July 1, 2019, through June 30, 2020)

Cities:

Colonial Heights\*      Fredericksburg      Portsmouth

Counties:

Lee      Page\*  
Warren      Culpeper

Juvenile and Domestic Relations Courts (for the period July 1, 2019, through June 30, 2020)

Cities:

Fredericksburg      Portsmouth

Counties:

Botetourt\*      Culpeper      Warren  
Charlotte      Lee      Wise/City of Norton

Magistrates

- District 2: City of Virginia Beach
- District 10: Counties of Appomattox, Buckingham, Charlotte, Cumberland, Halifax, Lunenburg, Mecklenburg, and Prince Edward
- District 11: City of Petersburg; Counties of Amelia, Dinwiddie, Nottoway, and Powhatan\*
- District 22: City of Danville; Counties of Franklin and Pittsylvania
- District 27: Cities of Galax and Radford; Counties of Carroll, Floyd, Giles, Grayson, Montgomery, and Pulaski
- District 28 (and certain counties of District 27 and 29): City of Bristol; Counties of Bland, Russell, Smith, Tazewell, Washington, and Wythe
- District 30: City of Norton; Counties of Buchanan, Dickenson, Lee, Scott, and Wise

\*Denotes includes internal control and/or compliance finding

❖ Denotes turnover reports with varying dates