Auditor of Public Accounts Update

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Higher Education Programs

November 2010
Discussion Topics

• Project Manager Assignments
• Statewide Reports
  • Investment Policies
  • Disbursements
• Student Housing
Discussion Topics

• Boards of Visitors and Audit Committees
• Auditing and Accounting Issues
• Issues Identified During Audits
PROJECT MANAGER ASSIGNMENTS
Project Manager Assignments

- GMU, ODU, CWM, and JMU – Joe Stepp
- LU – Karen Helderman
- UMW – DeAnn Compton
- RU – Andy Powell
- CNU – George Strudgeon
Project Manager Assignments

- NSU – Tracy Surratt
- VSU – Staci Henshaw
- VMI – Jennifer Schreck
- VCCS – Katherine Collins
APA STATEWIDE
SPECIAL REPORTS
Study of Commonwealth Investment Policies
August 2010
Investment Policies

• Generally, we found that the agencies and institutions of higher education had sound investment policies that complied with best practices.
Investment Policies

• Entities need to ensure that the investment policies are current, reviewed at least annually, and meet best practice standards. Appropriate current investment policies can help eliminate doubt as to what investment transactions and activities meet the entity’s objectives and policies.
Investment Policies

• Entities must ensure that investment managers comply with policies in place by enacting adequate policies to monitor investment activity. Completion and adherence to these recommendations will serve as a means to protect the entities and the Commonwealth from risks associated with investment activity.
Investment Policies

• Certain institutions of higher education should update their investment policies to include best practice standards and periodically review their policies for possible improvements;
• Investment policies should include the best practices standards in sufficient detail to allow external and internal investment managers to easily understand and follow the best practices.
Investment Policies

• Senior management of higher education institutions should annually complete a formal review of investment policies. This will ensure that policies are in compliance with the entity’s investment objectives, identified risks, economic factors, and other factors that may affect investments.
DISBURSEMENT STUDY
November 2010
Disbursement Study

Various methods of making payments
- Wire Transfer
- Check
- Electronic Data Interchange
- Automated Clearing House
- Electronic Benefits Transfer
- Purchase Card Program
Disbursement Study

Recommendation 1

• The Commonwealth may wish to consider consolidation of all check printing operations, including Institutions of Higher Education, with Treasury in order to realize economies of scale.
• The Commonwealth would realize savings from reducing costs related to equipment, annual maintenance contracts, materials, and labor associated with producing paper checks.
Recommendation 2

- Treasury may wish to consider outsourcing its check-writing process. With “Positive Pay” assurance, there is minimal risk in outsourcing.

- We cannot estimate the potential savings or costs from outsourcing check-writing because pricing would be dependent upon the outcome of a competitive procurement process. However, outsourcing would allow Treasury to convert this process to a strictly variable cost.
Recommendation 3

- Accounts should continue to encourage agencies and the vendor community to use the EDI program where the cost of setting up a vendor is justified by the volume of transactions. Accounts should also work with General Services’ Division of Purchase and Supply to implement a process by which vendors registering for the state’s eVA Procurement system may simultaneously register for the EDI program.
Disbursement Study

Recommendation 4

- Accounts should continue to enforce participation and compliance in the purchase card program. The Comptroller should consider raising the underutilization percentage from 70% to 90% to further encourage agencies to use the purchase card program. Since the Comptroller already accounts for vendors who do not accept credit card as a form of payment, it is not unreasonable to expect a higher rate of compliance from agencies and institutions.
Disbursement Study

Recommendation 5

- Accounts should include statistics for electronic payment data from Taxation and Retirement Systems in the E-Commerce section of its quarterly report. By including check and electronic payment statistics for Taxation and Retirement, the quarterly report will more accurately reflect the state of the Commonwealth’s E-Commerce initiatives.
Student Housing Study

Phase One Conclusions:

• Virginia’s state supported universities had differing policies regarding mandatory on-campus housing based on their goals for on-campus housing.

• Universities have sufficient demand for their current on-campus housing inventory and plan on expanding on-campus housing as funding permits.

• Working with their foundations to fund additional on-campus housing gives universities important flexibility as to construction and leveraging their assets.
Student Housing Study

Phase Two Issues:

• Decisions made by Virginia’s state supported universities had differing effects on local housing markets.

• Universities have authority to make construction and housing policy decisions. Boards of Visitors can consider the effect of their decisions on local housing markets.

• Should the General Assembly wish to review university student housing decisions, it may need to require approval of master building plans.
BOARD OF VISITORS
AUDIT COMMITTEES
Audit Committees

APA interacts with Audit Committees at three points in the audit process

• Entrance Conferences
• SAS 99 discussions with Audit Committee Chair
• Exit Conferences
Audit Committees

Discussion Topics

• Auditor/Management Responsibilities
• Special Areas of Emphasis for the Audit
• Audit Schedule and Staffing
• Areas of Audit and Fraud Risk
• Findings and Recommendations
CHANGES TO SAS 112
SAS 112 vs. SAS 115

**material weakness** - *more than a remote likelihood* that a material misstatement of the financial statements will not be prevented or detected.

**significant deficiency** - *more than a remote likelihood* that a misstatement of the entity's financial statements that is *more than inconsequential* will not be prevented or detected.

**material weakness** - *a reasonable possibility* that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

**significant deficiency** - *less severe than a material weakness*, yet important enough to merit attention by those charged with governance.
SAS 112 vs. SAS 115

- Clarifies the requirements for consideration of compensating controls
- Changes the “prudent officials” test
- Deletes list of indicators of significant deficiencies
- Reduces the list of deficiencies in internal control that are strong indicators of material weaknesses
SAS 70

Consider several different areas where the University may have contracts

- Loan servicing
- Credit card transactions
- Tuition payment plans
- Loan entrance/exit interviews
Financial Reporting Issues

- Report Certificates of Deposit as Cash
- Accrue Interest Payable for Bonds
- Reporting of State Stabilization Funds
ISSUES IDENTIFIED DURING AUDITS
Issues Identified During Audits

Review Financial Reporting Procedures

• Ensure that all system accounts are included in financial reporting workflow
• Use automated systems whenever possible
• Reduce recurring adjustments and automate adjustments when possible
Issues Identified During Audits

Purchase Card Transactions

• Review procedures based on changes in purchase card vendor
• Improve procedures for supervisory review
• Revise training for cardholders and supervisors
Issues Identified During Audits

Payroll

• Ensure that all timesheets are promptly approved
• Review procedures to resolve unapproved timesheets
Issues Identified During Audits

Federal

• Perform accurate Title IV calculation
• Return Title IV funds timely
• Review figures reported in the FISAP for accuracy
Issues Identified During Audits

Financial Reporting

• Identify system efficiencies to eliminate manual processes
• Consider performing analyses to highlight potential problems
• Perform a quality review process as statements are being prepared
Questions

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