



DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND
CLUSTER FEDERAL PROGRAM

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2019

Auditor of Public Accounts
Martha S. Mavredes, CPA
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AUDIT SUMMARY

Our audit of the Clean Water State Revolving Fund Cluster federal program, administered by the Department of Environmental Quality (Environmental Quality) for the fiscal year ended June 30, 2019, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's accounting and financial reporting system and in the federal schedules submitted to the Department of Accounts;
- no matters involving internal control and its operation necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.



Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

January 27, 2020

The Honorable Ralph S. Northam
Governor of Virginia

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

We have audited the financial records and operations of the **Clean Water State Revolving Fund Cluster federal program**, administered by the **Department of Environmental Quality (Environmental Quality)** for the year ended June 30, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, in support of the Commonwealth's Single Audit. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objective was to audit the Clean Water State Revolving Fund Cluster federal program in support of the Commonwealth's Single Audit. In support of this objective, we evaluated the accuracy of recorded financial transactions in the Commonwealth's accounting and reporting system and in the federal schedules submitted to the Department of Accounts; reviewed the adequacy of the Environmental Quality's internal controls over the federal program; and tested for compliance with applicable laws, regulations, contracts, and grant agreements.

Audit Scope and Methodology

Environmental Quality's management has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, contracts, and grant agreements. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and risk in determining the nature and extent of our audit procedures. Our review encompassed controls and compliance over the Clean Water State Revolving Fund Cluster federal program.

We performed audit tests to determine whether the Environmental Quality's controls over the Clean Water State Revolving Fund Cluster federal program were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, contracts, and observation of the Environmental Quality's operations. We performed analytical procedures and tested details of transactions to achieve our objectives.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Conclusions

We found that Environmental Quality properly stated, in all material respects, the amounts recorded and reported in the Commonwealth's accounting and financial reporting system and in the federal schedules submitted to the Department of Accounts for the Clean Water State Revolving Fund Cluster federal program.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The results for the Commonwealth's Single Audit for the year ended June 30, 2019, are contained in a separate report which will be available on our website at www.apa.virginia.gov in February 2020.

Report Distribution

We provided a draft of the report to management for review on February 6, 2020.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

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DEPARTMENT OF ENVIRONMENTAL QUALITY

As of June 30, 2019

David K. Paylor
Director