



VIRGINIA HEALTH WORKFORCE DEVELOPMENT AUTHORITY

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2016

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

Our audit of the Virginia Health Workforce Development Authority (Authority) for the fiscal year ended June 30, 2016, found:

- proper recording and reporting of transactions in the Authority's financial 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.

Since the Authority's inception in 2010, they have been audited by the Auditor of Public Accounts five separate times and received a total of twenty-five written recommendations resulting from its deficiencies in internal controls. The Auditor of Public Accounts found that the recommendations from the previous audits have been corrected. The Authority has taken these recommendations and developed effective internal controls and is working on maintaining these controls over its fiscal operations. See Comments to Management for additional information.

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COMMENTS TO MANAGEMENT

Since its inception in 2010, the Authority has been audited by the Auditor of Public Accounts five separate times. In the beginning, the Authority hired and employed staff without considering their knowledge about controls and accounting processes, which contributed to a total of twenty-five written recommendations resulting from its deficiencies in internal controls. At the beginning of fiscal year 2016, management was replaced and during fiscal year 2016 a part time employee was hired to assist with fiscal duties and other administrative functions. Due to the development of policies and procedures, training, and the hiring of the part time staff discussed above, the issues noted in prior audits were resolved during fiscal year 2016.

The Authority is a public entity that is 100 percent federally funded. As a result, it is required to establish and maintain effective internal control over federal awards to provide reasonable assurance it is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the related federal award. With limited staff, the Authority should remain cognizant of ensuring proper controls over its fiscal operations, as well as continual improvement of its policies and procedures. If the situation arises where the Authority believes it cannot do this, it should consider acquiring controls through another entity. If the outsourcing of fiscal operations is structured correctly with proper agreements and audit clauses, the Authority could dedicate more of its efforts on achieving programmatic accomplishments and less on the administrative tasks concerning fiscal operations.

AUTHORITY HIGHLIGHTS

The General Assembly created the Virginia Health Workforce Development Authority (Authority) in 2010 after receiving a study led by the Department of Health (Health) regarding the infrastructure that would be required for Virginia to address future demand for healthcare workers. Health's study recommended the establishment of a statewide system for health workforce pipeline development. It is the Authority's mission to "move the Commonwealth forward in achieving its vision of ensuring a quality health workforce for all Virginians." The Code of Virginia classifies the Authority as a political subdivision of the Commonwealth with the mission of facilitating the "development of a statewide health professions pipeline that identifies, educates, recruits, and retains a diverse, appropriately geographically distributed and culturally competent quality workforce."

Board of Directors

The Board of Directors of the Authority is a supervisory board comprised of 13 members. This is a volunteer Board of Directors that guides the organization and is directly responsible for the overall strategic vision, mission, health, and financial stability of the organization. Additionally, the Authority's board sets priorities for the Virginia Area Health Education Centers Program. The Executive Director of the Authority is hired by and reports directly to the Board.

Funding

Currently the Authority's sole source of funding is from the U.S. Department of Health and Human Services under the Model State-Supported Area Health Education Centers (AHEC) grant. The Authority was awarded \$828,400 for the award period of September 1, 2015, through August 31, 2016. Under the grant agreement, the Authority can spend up to 25 percent of the grant on operational expenses and the remaining 75 percent is transferred to Area Health Education Centers in Virginia to promote health careers and access to primary care for medically underserved populations through community-academic partnerships. It is also the Authority's plan to propose a budget amendment in order to receive state appropriations in fiscal year 2019.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

June 13, 2017

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Virginia Health Workforce Development Authority** (Authority) for the year ended June 30, 2016. We conducted this performance audit in accordance with generally accepted government auditing standards. 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 objectives were to evaluate the accuracy of recorded financial transactions in the Authority's accounting records, review the adequacy of the Authority's internal controls, test compliance with applicable laws, regulations, contracts, and grant agreements, and review corrective actions of audit findings from prior year reports.

Audit Scope and Methodology

The Authority'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 sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Board governance
Federal grant revenues
Expenses
Cash balance
Financial reports to the Department of Accounts

We performed audit tests to determine whether the Authority's controls 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, and contracts, and observation of the Authority's operations. We tested transactions and performed analytical procedures, including trend analyses of cash balances. We confirmed the fiscal year end bank balance with outside parties.

Conclusions

We found that the Authority properly stated, in all material respects, the amounts recorded and reported in the Authority financial accounts. The Authority records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 Authority has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this letter.

Exit Conference and Report Distribution

We discussed this report with management on June 27, 2017. Management's response to the comments included in this report is included in the section titled "Agency Response." We did not audit management's response and, accordingly, we express no opinion on it.

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.

AUDITOR OF PUBLIC ACCOUNTS

AVC/clj



July 25, 2017

Martha S. Mavredes
Auditor of Public Accounts
P. O. Box 1295
Richmond, Virginia 23218

Dear Ms. Mavredes:

Thank you for the opportunity to review the audit report issued by your office for fiscal year ending June 30, 2016.

The Virginia Health Workforce Development Authority (Authority) has worked diligently to address deficiencies noted in previous audits. The Authority endeavors to maintain robust internal controls, and to comply with applicable laws, contracts, and grant agreements.

We appreciate the thorough review as well as the professionalism of your staff.

Sincerely,

A handwritten signature in black ink, reading 'Keisha L. Smith', is positioned above the printed name and title of the signatory.

Keisha L. Smith, MPA
Executive Director

VIRGINIA HEALTH WORKFORCE DEVELOPMENT AUTHORITY

BOARD MEMBERS

As of June 30, 2016

Joseph R. Yost
Chair

George L. Barker
Vice Chair

Ralph R. Clark
Secretary

R. Neal Graham
Treasurer

David E. Brown
Eleanor Sue Cantrell
Nancy Dunlap
Shirley R. Gibson

Patrick A. Hope
Deborah Johnston
Marissa Levine
Lori Rutherford

Craig Herndon

MANAGEMENT

As of June 30, 2016

Keisha L. Smith
Executive Director