



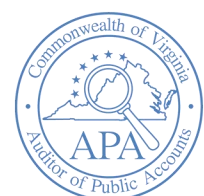
# VIRGINIA BOARD OF BAR EXAMINERS

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2014

Auditor of Public Accounts  
Martha S. Mavredes, CPA

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## AUDIT SUMMARY

Our audit of the Virginia Board of Bar Examiners for the fiscal year ended June 30, 2014, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- a matter involving internal control and its operation necessary to bring to management's attention; and
- an instance of noncompliance with applicable laws and regulations or other matters that are required to be reported.

## –TABLE OF CONTENTS–

	<u>Pages</u>
AUDIT SUMMARY	
AUDIT FINDINGS AND RECOMMENDATIONS	1-2
AGENCY HIGHLIGHTS	3
INDEPENDENT AUDITOR’S REPORT	4-5
AGENCY RESPONSE	6-7
AGENCY OFFICIALS	8

## AUDIT FINDINGS AND RECOMMENDATIONS

### **Improve VNAV Reconciliation and Confirmation Process**

The Virginia Board of Bar Examiners (Bar Examiners) does not have adequate controls in place to ensure that retirement information for their employees is accurate. Specifically, Bar Examiners is not reconciling the employee information in its internal human resources records to the Virginia Retirement System (VRS) myVRS Navigator (VNAV) system, which contains essential retirement data for state employees.

Employers are now responsible for ensuring that all employee data changes in their payroll and human resource systems are also changed in VNAV and it is the agency's obligation to ensure that the data in VNAV reconciles with their own records. It is critical to reconcile the employee data in VNAV to ensure its accuracy since it is used to calculate the Commonwealth's total pension liability for the Commonwealth's financial statements. Additionally, ensuring that employee data in the employer's payroll system is consistent with data in VNAV is a significant control in verifying that employee retirement benefit payments are accurate.

Commonwealth Accounting Policies and Procedures Manual Section 50410 requires each agency to reconcile VRS contributions monthly. The confirmation submitted by the agency as a result of their reconciliation efforts also asks them to verify that VRS has calculated the correct amount of retirement contribution for the agency's employees. Additionally, Department of Accounts (DOA) Payroll Bulletin Volume 2013-02 states that agencies must certify the Retirement Contribution Snapshot (Snapshot) by the tenth day of the following month, as it becomes the official basis for VRS billing amounts once certified. In nine out of 12 months during fiscal year 2014, Bar Examiners did not certify the snapshot by the tenth of the following month.

Bar Examiners is a Payroll Service Bureau (Bureau) participating agency. Until August 2014, Bar Examiners believed that the Bureau was performing all retirement functions on its behalf. Additionally, Bar Examiners staff have had difficulty with completing the snapshot timely due to a several day lag in generating the snapshot report, which is believed to be due to the fact that they operate in a Macintosh application environment.

As discussed in numerous DOA Payroll Bulletins and VRS Employer Updates, agencies should perform specific procedures to validate the accuracy of the information reported in the Snapshot prior to certification. In addition, agencies must complete the certification by the tenth day of the following month. Certification activities can begin as early as the twenty-fifth day of the month being certified. Certification of the Snapshot gives DOA permission to transfer the agency's contributions to the VRS and also indicates to the VRS that individual employee data is accurate. Due to changes in the accounting and reporting standards over pensions, accurate management of compensation and contribution data at the employee level is critical.

Bar Examiners should establish adequate procedures to ensure that retirement information for all employees is accurate. This should include confirming its human resources data and VNAV

properly reconcile with one another and certifying the contribution snapshot by the imposed monthly deadline. Bar Examiners should begin certification activities well in advance of the monthly deadline to ensure that there is sufficient time to generate and certify the snapshot. Furthermore, Bar Examiners should ensure that its agreement with the Bureau is updated to include VNAV process performed by each respective agency.

## AGENCY HIGHLIGHTS

The Virginia Board of Bar Examiners (Bar Examiners) is part of the judicial branch of government and administers the bar examination twice every year. Bar Examiners evaluates the character and fitness of applicants and certifies individuals as eligible to practice law in Virginia. Bar Examiners also administers the Law Reader Program that allows approved individuals to study law under an experienced general practice attorney to become eligible to sit for the examination.

In addition, Bar Examiners reviews qualifications of persons applying for admission to the Virginia Bar without taking the examination. Under Section 54.1-3931 of the Code of Virginia, Bar Examiners certifies to the Supreme Court of Virginia those applicants who have satisfied the reciprocity provisions and the Supreme Court's rules for admission on motion.

Bar Examiners operates through a Special Revenue Fund and administers all activities under the Regulation of Professions and Occupation program. Revenues come from the collection of application fees for the examination and character and fitness fees from each examinee. Revenue collections for fiscal year 2014 were approximately \$1.56 million.

The following table shows Bar Examiners' original budget, final budget, and actual expenses for fiscal year 2014.

### Analysis of Budgeted and Actual Expenses for Fiscal Year Ended June 30, 2014

Original Budget	Final Budget	Actual Expenses
\$1,474,523	\$1,523,834	\$1,522,901

The table below summarizes the Bar Examiners' expenses by major object code for fiscal year 2014. Personal and contractual Services represented approximately 70 percent and 22 percent, respectively, of total expenses in fiscal year 2014. Personal services is comprised of eight full-time staff (including the Secretary), one part-time salaried staff, and two part-time seasonal wage staff that work as needed. Contractual services include costs to administer the exam.

2014	
Personal Services	\$1,062,377
Contractual Services	329,084
Continuous Charges	99,671
Equipment	19,444
Supplies and Materials	9,175
Plant and Improvements	3,150
<b>Total</b>	<b>\$1,522,901</b>

Source: Commonwealth Accounting and Reporting System



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

August 20, 2015

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable John C. Watkins  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Virginia Board of Bar Examiners (Bar Examiners)** for the year ended June 30, 2014. 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 Commonwealth Accounting and Reporting System, review the adequacy of the Bar Examiners' internal controls, and test compliance with applicable laws, regulations, contracts, and grant agreements.

## **Audit Scope and Methodology**

Bar Examiners' management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. 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 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.

Cash receipting and collection of exam fees  
Expenses (including payroll)  
Information systems security

We performed audit tests to determine whether the Bar Examiners' controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and observation of Bar Examiners' operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

### **Conclusions**

We found that Bar Examiners properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. Bar Examiners 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. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted a matter involving internal control and its operation and compliance with applicable laws, regulations, contracts and grant agreements that require management's attention and corrective action. This matter is described in the section entitled "Audit Findings and Recommendations."

### **Exit Conference and Report Distribution**

We discussed this report with management on August 18, 2015. Management's response to the findings identified in our audit 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

LJH:alh





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September 16, 2015

Martha S. Mavredes  
Auditor of Public Accounts  
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Richmond, VA 23218

Re: Fiscal 2014 Virginia Board of Bar Examiners' (the "Board") Response to  
APA Finding – Improve VNAV Reconciliation and Confirmation Process

Dear Ms. Mavredes:

This letter is in response to the Fiscal Year 2014 Audit Findings and Recommendations, which states that the Board "does not have adequate controls in place to ensure that retirement information for their employees is accurate. Specifically, the Bar Examiners is not reconciling the employee information in its internal human resources records to the Virginia Retirement System (VRS) myVRS Navigator (VNAV) system...." At the onset of VNAV in October of 2012, the Board was required to send a letter to VRS granting the Department of Accounts (DOA) and the Department of Human Resource Management (DHRM) authorization and access to VNAV on behalf of the Board. By providing such authorization to DOA, hence Payroll Service Bureau (PSB), it was the Board's understanding that PSB, on behalf of the Board, would make changes in VNAV as they had in the past with VRS, and as they currently do for the Benefit Eligibility System (BES) and Commonwealth Integrated Payroll/Personnel System (CIPPS).

The Board contracts with Payroll Service Bureau (PSB) to perform the majority of tasks related to payroll, benefits and retirement. In August of 2014, through a PSB reconciliation audit process, the Board was requested to update the employee data in the VNAV system. That was the Board's first notice that the authorization we signed granting DOA and DHRM permission to access VNAV on the Board's behalf did not include making updates or changes. Since August of 2014, the Board updates VNAV as required. In addition, since that time, DOA provides a monthly reconciliation of the Board's data in VNAV.

The APA also notes that, "[i]t is critical to reconcile the employee data in VNAV to ensure its accuracy since it is used to calculate the Commonwealth's total pension liability for the Commonwealth's financial statements." Significantly, throughout the audit process, the APA found no inaccuracies or discrepancies in any of the Board's employee data contained in the VNAV system.

The Board does not dispute that numerous DOA Payroll Bulletins and VRS Employer Updates discuss specific procedures the agency should perform to validate the accuracy of the information reported in the Snapshot prior to certification. However, technical issues experienced in the VNAV system have contributed to the Board's inability to obtain the report in order to timely complete the Snapshot process. As recent as last month, almost three years after the VNAV system was established, an Alert (inserted below) was posted on VNAV to alert myVRS users to Navigator Technical Issues and that VRS was aware that some employers are experiencing intermittent errors when downloading the July Snapshot file.

**Alert: myVRS Navigator Technical Issues**

VRS is aware that some employers are experiencing intermittent errors when downloading the July Snapshot file and running reports. Since the problem is intermittent and later attempts have been successful, you may want to try to download the file or run your report again. We continue to work quickly toward a solution to minimize impact on confirmation deadlines. We will keep you updated through this dashboard. Thank you for your patience.

A second notice (inserted below) was posted in mid-August thanking us for our ongoing patience as VRS works toward full resolution of intermittent reporting issues.

**myVRS Navigator Technical Issues Update**

Reports that display within the browser may continue to have intermittent issues. Thank you for your ongoing patience as we work toward full resolution.

The Board has experienced these "intermittent errors/issues" since October 2012, and regularly has contacted VNAV personnel for assistance in obtaining the required report. Nevertheless, the APA finds the Board to be non-compliant when the system itself is delaying compliance. Further, it appears that these errors are happening throughout the Commonwealth for such system-wide alerts to be issued. In fact, throughout the auditing process, when explaining the difficulties the Board has encountered with the VNAV system, the APA acknowledged that other agencies have reported the same issues.

In light of the VNAV system failures, as well as the fact that the APA found no inaccuracies in the Board's employee data contained in VNAV, the Board takes exception to the Audit Findings and Recommendations.

Thanking you for the opportunity to provide this response, I am

Very truly yours,



Catherine Crooks Hill  
Secretary/Treasurer

CCH/jo  
Enclosure

## AGENCY OFFICIALS

### VIRGINIA BOARD OF BAR EXAMINERS

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Grady K. Carlson

Brian K. Jackson

C. Kailani Memmer

Catherine C. Hill, Secretary and Treasurer