

**Virginia Department of Education**  
**Financial Risk Factors**

| No. | Measure  | Source  | Comments |
|-----|--|---|----------|
| 1   | <u>Receiving a Statement on Auditing Standards (SAS) 115 Audit Comment</u> . This condition indicates the entity's internal control over financial reporting contains material or significant deficiencies. These deficiencies pose 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. | Comprehensive Annual Financial Report (CAFR), Single Audit Section  |          |
| 2   | Expenditures exceed budgeted appropriations  | CAFR, Single Audit Section  |          |
| 3   | Late Annual School Report (Data and Superintendent certification due by Sept. 15; VDOE may approve division requests for an extension until Sept. 30)  | VDOE Budget Office – ASR Submission Data  |          |
| 4   | Material weakness, repeat, or three or more audit findings   | CAFR, Single Audit Section  |          |
| 5   | <u>Receiving a modified audit opinion</u> (e.g., scope limitation, lack of records, non-existent internal control environment, etc.)   | CAFR, Single Audit Section  |          |
| 6   | Failing to qualify as a low-risk auditee   | CAFR, Single Audit Section  |          |
| 7   | Restatement of account balances from a prior period  | CAFR, Single Audit Section  |          |
| 8   | Segregation of duties audit comment, particularly an unresolved situation  | CAFR, Single Audit Section  |          |
| 9   | Audit comment citing finance staff turnover  | CAFR, Single Audit Section  |          |
| 10  | Audit comment citing financial system problems or conversion difficulties  | CAFR, Single Audit Section  |          |
| 11  | Unusual audit firm turnover or resigning from an open engagement   | VDOE Analysis of Local Audits   |          |
| 12  | Noncompliance – failure to complete an audit and submit the audit report to the Auditor of Public Accounts pursuant to the <i>Code of Virginia</i> § <a href="#">15.2-2510</a>   | Letter from the Auditor of Public Accounts to Members of the Joint Legislative Audit and Review Commission        |          |
| 13  | Failure of the governing body to hold a public meeting to discuss the results of the annual audit pursuant to the <i>Code of Virginia</i> § <a href="#">15.2-2511</a>  | Annual Letter from the Auditor of Public Accounts to Members of the Joint Legislative Audit and Review Commission |          |

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| 14  | A downward trend in the average daily membership (ADM) based upon student data submitted to VDOE | VDOE Budget Office -- ADM data collected from school Divisions   | A five-year trend line is reviewed for this factor. An assessment of increasing, flat, or decreasing ADM is noted.                             |
| 15  | A local composite index (LCI) equal to or less than 30   | VDOE Budget Office   |  |
| 16  | Certification by the school division that it failed to maintain required local effort (LRE)      | VDOE Budget Office   |  |
| 17  | A targeted special education risk assessment based upon relevant federal and state indicators    | VDOE Special Education Risk Assessment   | Includes 13 attributes – Sped leadership continuity, size of award, MOE compliance, timely data submissions, lack of Sped audit findings, etc. |
| 18  | A local government fiscal stress rating of “high” by the Commission on Local Governments         | <i>Annual Report on Comparative Revenue Capacity, Revenue Effort, and Fiscal Stress of Virginia’s Cities and Counties</i> – Commission on Local Government |  |