DEPARTMENT OF GENERAL SERVICES

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2016

Auditor of Public Accounts
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AUDIT SUMMARY

We audited the revenue cycles of the Department of General Services' (General Services) Division of Consolidated Laboratory Services, and Parking Services administered by the Division of Engineering and Buildings for the fiscal year ended June 30, 2016. We found:

- proper recording and reporting of all transactions, in all material respects, in General Services' accounting and financial reporting system;

- no matters involving internal control and its operation necessary to bring to management's attention;

- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported; and

- adequate corrective action with respect to the following prior audit findings:
    - Improve Information Security Program
    - Improve Application Controls
    - Document *my*VRS Navigator Reconciliations and Policies and Procedures

We did not include all prior audit findings in the scope of this audit. The prior audit findings listed below will be included in future audits.

- Improve Oversight of Third-Party Service Providers

- Improve PeopleSoft to CARS Reconciliation Process

- Improve Controls over Small Purchase Charge Card Reconciliations

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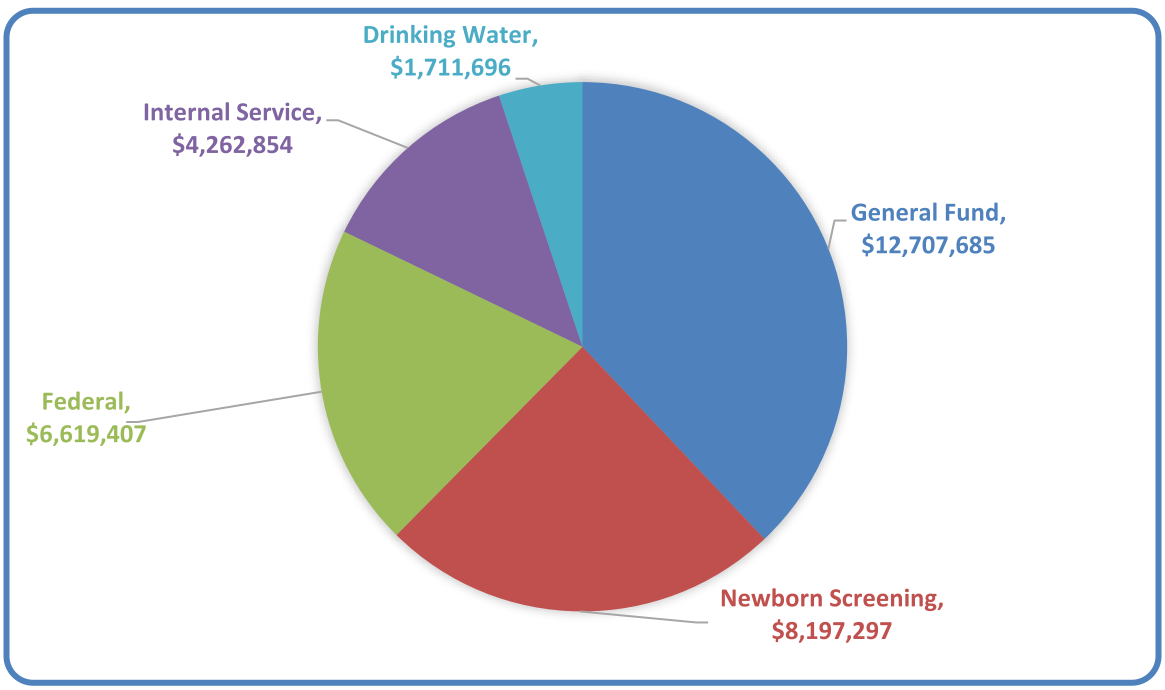
AUDIT SCOPE OVERVIEW

Division of Consolidated Laboratory Services

The Division of Consolidated Laboratory Services (Laboratory Services) is a division of General Services that provides laboratory testing for state agencies, local governments, federal agencies and other states. The laboratory testing includes newborn screening, clinical specimens, environmental, food safety, and emergency response services, among others. Additionally, Laboratory Services certifies and accredits laboratories operating throughout the Commonwealth that provide testing of environmental and drinking water samples for regulatory compliance.

Our audit of Laboratory Services primarily focused on the revenue cycles, as expenses were included in prior audits of General Services. Laboratory Services receives the majority of funding from the Commonwealth's general fund and by providing newborn screening services through a partnership with the Virginia Department of Health. Other sources of funding include federal grants, drinking water testing fees, and internal services provided to other state agencies. The chart below details Laboratory Services' funding sources for fiscal year 2016.

Laboratory Services 2016 Funding



Our audit of Laboratory Services included detailed testing over revenue collection for newborn screening and drinking water services. Additionally, we reviewed the receipt of funds from services provided to other agencies, specifically the Department of Environmental Quality and the Department of Agriculture and Consumer Services. This included reviewing the underlying agreements between Laboratory Services and the other agencies with whom they partner. Our audit also included a review of fixed assets and inventory maintained by Laboratory Services to determine whether Laboratory Services maintained adequate internal control over its resources. We also reviewed federal grants received by Laboratory Services to ensure compliance with the provisions of the grants. Finally, we reviewed the security over the laboratory information management system for proper internal controls and compliance with the Commonwealth's Information Security Standard, SEC 501.

Division of Engineering and Buildings – Parking Services

Our audit also included a review of the Parking Services section of the Division of Engineering and Buildings. Parking Services is responsible for the administration and management of the State Employee Parking Program, as well as operating and securing the 20 parking locations that General Services maintains. Parking Services is also responsible for administrating state agency parking allocations, and maintaining agency and employee assignment records.

Our audit of Parking Services focused on the revenue cycles, as expenses were included in prior audits of General Services. Total Parking Service revenues for fiscal year 2016 were $5,106,279, of which 99 percent was generated from parking fees. The current monthly employee parking rate is $49 for parking facilities located in downtown Richmond, and $24.50 for parking facilities outside of Richmond. All employee parking fees are paid through payroll deduction. Our audit included a detailed review over Parking Services revenues received during the year to ensure that adequate internal controls were maintained.

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 2, 2018

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 revenue cycles of the **Department of General Services'** (General Services), **Division of Consolidated Laboratory Services** (Laboratory Services), and **Parking Services administered by the Divisions of Engineering and Buildings** 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 with regard to the revenue cycles of the Laboratory Services and the Parking Services section of the Division of Engineering and Buildings were to review the adequacy of the General Services' internal controls and test compliance with applicable laws, regulations, contracts, and grant agreements. We also reviewed corrective actions for audit findings from the prior year report as follows: Document *my*VRS Navigator Reconciliations and Policies and Procedures, Improve Application Controls, and Improve Information Security Program. We will follow up on remaining audit findings from the prior year report in subsequent audits.

Audit Scope and Methodology

General Services' 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, as they relate to the audit objectives, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether General Services' 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 as they pertain to our audit objectives.

Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of General Services' operations. We performed analytical procedures, including budgetary and trend analyses. We also 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 General Services properly stated, in all material respects, transactions recorded and reported in General Services' internal accounting and financial reporting system, relating to the audit objectives.

We noted no matters involving internal control and its operation pertaining to the revenue cycles of Laboratory Services or Parking Services that we consider necessary to be reported to management. The results of our tests of compliance, as they pertain to the revenue cycles of Laboratory Services and Parking Services, 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.

General Services has taken adequate corrective action with respect to audit findings reported in the prior year that are listed under the Audit Objectives section of this letter. We will follow up on remaining audit findings from the prior year report in subsequent audits.

Exit Conference and Report Distribution

We discussed this report with management on June 25, 2018. 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

JMR/clj

DEPARTMENT OF GENERAL SERVICES

as of June 30, 2016

Christopher L. Beschler
Director, Department of General Services

Joseph Damico
Deputy Director, Department of General Services

Edward Gully
Director, Division of Engineering and Buildings

Dr. Denise Toney
Director, Division of Consolidated Laboratory Services

Bryan W. Wagner
Controller, Department of General Services