



DEPARTMENT OF CORRECTIONS
INCLUDING THE
VIRGINIA PAROLE BOARD

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2024

Auditor of Public Accounts
Staci A. Henshaw, CPA

www.apa.virginia.gov

(804) 225-3350



AUDIT SUMMARY

We have audited the payroll cycle, including related fringe benefits, of the Department of Corrections (Corrections), including the Virginia Parole Board, for the year ended June 30, 2024. Our audit found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's human resource and payroll management system, Corrections' accounting records, and in supplemental information and attachments submitted to the Department of Accounts;
- one matter involving internal control and its operation necessary to bring to management's attention that also represents an instance of noncompliance with applicable laws and regulations or other matters that is required to be reported; and
- adequate corrective action with respect to the prior audit finding identified as complete in the [Findings Summary](#) included in the Appendix.

In the section titled "Internal Control and Compliance Finding and Recommendation" we have included our assessment of the conditions and causes resulting in the internal control and compliance finding identified through our audit as well as the recommendation for addressing that finding. Our assessment does not remove management's responsibility to perform a thorough assessment of the conditions and causes of the finding and developing and appropriately implementing adequate corrective actions to resolve the finding as required by the Department of Accounts in Topic 10205 – Agency Response to APA Audit of the Commonwealth Accounting Policies and Procedures Manual. Those corrective actions may include additional items beyond our recommendation.

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INTERNAL CONTROL AND COMPLIANCE FINDING AND RECOMMENDATION

Improve Internal Controls over Employee Termination Process

Type: Internal Control and Compliance

Severity: Significant Deficiency

First Reported: Fiscal Year 2023

The Department of Corrections' (Corrections) Human Resources Department (Human Resources) does not have adequate internal controls over the terminated employee offboarding process. As a result, we identified the following deficiencies:

- Human Resources was unable to provide documentation of a completed offboarding checklist for four of 26 (15%) terminated employees sampled.
- Human Resources did not collect Commonwealth property for one of 21 (5%) terminated employees sampled and was unable to confirm the collection of Commonwealth property for three of 21 (14%) terminated employees sampled.
- Human Resources did not enter 16 of 35 (46%) sampled employees' termination dates within the Commonwealth's human resource and payroll management system within 24 hours of the termination date.
- Supervisors did not submit deactivation requests timely for the removal of system access for 15 of 26 (58%) terminated employees sampled.
- The Payroll Department did not properly calculate and pay leave balances upon termination for one out of 22 (5%) terminated employees sampled and one additional employee selected for review based on the unusual timing of the payment. As a result, Corrections underpaid the employees by approximately \$32 and \$116 respectively.
- One terminated employee continued to receive a mobile device allowance totaling \$338 for six months after termination.

Commonwealth Accounting Policies and Procedures Manual (CAPP Manual) Topic 50320 requires that agencies complete certain procedures in the Commonwealth's human resource and payroll management system prior to termination of an employee. Additionally, the Commonwealth's Information Security Standard, SEC530, Section PS-4, states an organization must disable information system access within 24 hours of employee separation and terminate any authenticators or credentials associated with the individual.

Without sufficient and documented internal controls over terminated employees that ensure the return of Commonwealth property, removal of all access privileges, and proper calculation of final payments, Corrections is increasing the risk that terminated employees may retain physical access to

Commonwealth property, retain unauthorized access to state and internal systems and sensitive information, and receive improper final payments. The decentralized nature of the agency and the secure nature in which the facilities operate further increases the exposure risk.

Corrections has multiple facilities throughout the Commonwealth. Each facility is responsible for maintaining accurate employee personnel records, completing separation checklists, and performing all offboarding procedures in a timely manner. Since Corrections stores employee personnel records at each facility, documentation is not always readily obtainable. Each facility should ensure that supervisors perform their responsibilities to complete and submit offboarding checklists, enter termination dates timely within the Commonwealth's human resource and payroll management system and inform Correction's Information Technology Security Department of employee terminations to ensure timely deactivation of system access and collection of Commonwealth property. Corrections should investigate and correct any improper leave payouts and ensure that all payroll technicians are aware of leave payout and other compensation-related termination policies and procedures to ensure that the technicians process leave payouts timely and accurately and properly discontinue other compensation-related payments. Finally, Corrections should review its current termination practices to ensure that its policies are reasonable, effective internal controls are in place, and documentation is readily available upon request.



Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 13, 2024

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Terrance C. Cole
Secretary of Public Safety and Homeland Security

Chadwick S. Dotson
Department of Corrections

We have audited the financial records and operations relating to the payroll cycle, including related fringe benefits, of the **Department of Corrections** (Corrections), including the Virginia Parole Board, for the year ended June 30, 2024. We conducted this 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 Annual Comprehensive Financial Report 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 evaluate the accuracy of Corrections' financial transactions as reported in the Annual Comprehensive Financial Report for the Commonwealth of Virginia for the year ended June 30, 2024. In support of this objective, we evaluated the accuracy of recorded financial transactions in the Commonwealth's human resource and payroll management system, in Corrections' accounting records, and supplemental information and attachments submitted to the Department of Accounts; reviewed the adequacy of Corrections' internal controls; tested for compliance with applicable laws, regulations, contracts, and grant agreements; and reviewed corrective actions with respect to audit findings from prior year reports.

Audit Scope and Methodology

Corrections' 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 over the following significant cycles, classes of transactions, and account balances.

Payroll expenses, including fringe benefits
Information systems access

We performed audit tests to determine whether the Corrections' 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 Corrections' operations. We performed analytical procedures, including budgetary and trend analyses, and tested details of transactions to achieve our audit 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.

Our consideration of internal control over financial reporting (internal control) was for the limited purpose described in the section "Audit Objectives" and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control titled "Improve Internal Controls over Employee Termination Process," which is described in the section titled "Internal Control and Compliance Finding and Recommendation," that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control

that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Conclusions

We found that Corrections properly stated, in all material respects, the amounts recorded and reported in the Commonwealth’s human resource and payroll management system, Corrections’ accounting records, and supplemental information and attachments submitted to the Department of Accounts.

We noted a matter involving internal control and its operation and compliance with applicable laws, regulations, contracts, and grant agreements that requires management’s attention and corrective action. This matter is described in the section titled “Internal Control and Compliance Finding and Recommendation.”

Corrections has taken adequate corrective action with respect to the prior audit finding identified as complete in the [Findings Summary](#) included in the Appendix.

Since the finding noted above has been identified as a significant deficiency, it will be reported as such in the “Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards,” which is included in the Commonwealth of Virginia’s Single Audit Report for the year ended June 30, 2024. The Single Audit Report will be available at www.apa.virginia.gov in February 2025.

Exit Conference and Report Distribution

We provide management of Corrections with a draft of this report on January 13, 2025. Government Auditing Standards require the auditor to perform limited procedures on Corrections’ response to the findings identified in our audit, which is included in the accompanying section titled “Agency Response.” Corrections’ response was not subjected to the other auditing procedures applied in the audit and, accordingly, we express no opinion on the response.

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.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

MBR/clj

FINDINGS SUMMARY

Finding Title	Status of Corrective Action*	First Reported for Fiscal Year
Improve Management of Access to the Retirement Benefits System	Complete	2023
Improve Internal Controls over Employee Termination Process	Ongoing	2023

*A status of **Complete** indicates management has taken adequate corrective action. **Ongoing** indicates new and/or existing findings that require management’s corrective action as of fiscal year end.



COMMONWEALTH of VIRGINIA

CHADWICK S. DOTSON
DIRECTOR

Department of Corrections

P.O. BOX 26963
RICHMOND, VIRGINIA 23261
(804) 674-3000

January 22, 2025

Ms. Staci Henshaw
Auditor of Public Accounts
Virginia Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia, 23218

Dear Ms. Henshaw,

The Department of Corrections has reviewed the Auditor of Public Accounts (APA) report pertaining to the Department for the audit period July 1, 2023, through June 30, 2024. I am pleased the audit process identified no new compliance findings or recommendations for the Department during the FY24 review.

The Department of Corrections will continue to implement the corrective action plan for the finding from the prior year. This will include periodic internal testing to ensure the action plan controls are effective in remediating it. Combined with actions already taken and currently under way, I am confident this will help to further strengthen the management of our operations and financial records.

Please let me know if you have questions regarding this response.

Sincerely,

A handwritten signature in black ink, appearing to read "CDotson", written over a horizontal line.

Chadwick S. Dotson
Director

cc: Joseph W. Walters, Deputy Director for Administration
Dean Ricks, Chief Financial Officer