



DEPARTMENT OF CORRECTIONS

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2021

Auditor of Public Accounts
Staci A. Henshaw, CPA

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AUDIT SUMMARY

We audited the payroll and contract procurement cycles of the Department of Corrections (Corrections), including the Virginia Parole Board, for the fiscal year ended June 30, 2021. We also followed up on prior audit findings related to information systems access and small purchase charge cards. Our audit found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's accounting and reporting system, Corrections' accounting records, and in supplemental information and the leave liability attachment submitted to the Department of Accounts;
- 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 prior audit findings and recommendations identified as resolved in the [Findings Summary](#) in the Appendix.

We did not review management's corrective action on the prior audit finding identified as deferred in the [Findings Summary](#). We will follow up on this finding in a future audit.

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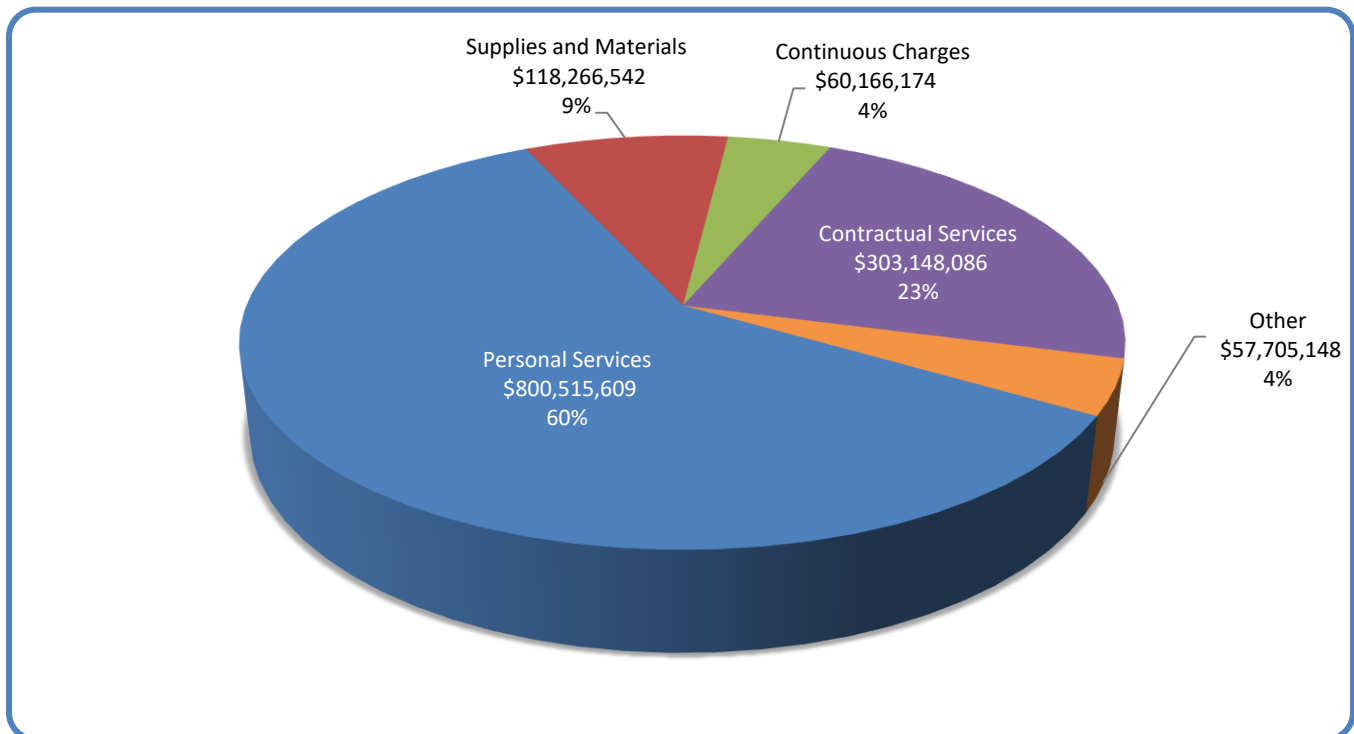
AUDIT SCOPE OVERVIEW

Corrections manages Virginia’s correctional facilities for adult offenders and directs the work of all probation and parole officers. Their mission is to enhance the quality of life in the Commonwealth by improving public safety. Corrections operates a central office in Richmond, as well as various correctional institutions and units across the state, including 26 major correctional institutions. These facilities house approximately 30,000 offenders. Corrections also oversees one privately-operated institution that houses over 1,500 offenders.

Corrections’ payroll and fringe benefit expenses are material to the Commonwealth’s financial statements, and therefore, we included this cycle in our audit scope. Corrections employs over 11,000 full-time employees statewide, with the majority of staff located in major correctional centers. Payroll and fringe benefit expenses (Personal Services) totaled over \$800 million in fiscal year 2021, which accounts for over 60 percent of operating expenses. This year we also included the contract procurement cycle and followed up on prior audit findings related to systems access and small purchase charge cards. A breakdown of operating expenses by type is shown below.

Expenses by Type – Fiscal Year 2021

Chart 1



Source: Commonwealth’s accounting and financial reporting system

Note: Data includes agencies within the scope of the audit including the Virginia Parole Board and excluding Virginia Correctional Enterprises.



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

September 29, 2021

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Department of Corrections** (Corrections), including the Virginia Parole Board, for the year ended June 30, 2021. 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, 2021. In support of this objective, we evaluated the accuracy of recorded financial transactions in the Commonwealth's accounting and financial reporting system, in Corrections' accounting records, and supplemental information and the leave liability attachment 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 and recommendations from prior audit reports. We did not review management's corrective action on the prior audit finding identified as deferred in the [Findings Summary](#). We will follow up on this finding in a future audit.

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
- Small purchase charge card
- Contract procurement
- Information systems access

We performed audit tests to determine whether 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 and 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 accounting and financial reporting system, Corrections' accounting records, supplemental information and the leave liability attachment submitted to the Department of

Accounts. The financial information presented in this report came directly from the Commonwealth's accounting and financial reporting system.

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 that are required to be reported under Government Auditing Standards.

Corrections has taken adequate corrective action with respect to prior audit findings and recommendations identified as resolved in the [Findings Summary](#) in the Appendix.

Exit Conference and Report Distribution

We discussed this report with management on November 4, 2021. 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

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FINDINGS SUMMARY

Finding	Follow-Up Status	Year(s) Issued
Align System Access with the Principle of Least Privilege	Resolved	2020
Strengthen Controls over Small Purchase Charge Cards	Resolved	2020
Ensure Segregation of Duties During Payroll Certifications	Resolved	2020
Improve Internal Controls over Purchasing System Access	Deferred*	2017

*Follow-Up Status on finding identified as "Deferred" indicates review of management's corrective action on a prior audit finding will be performed in a future audit.

DEPARTMENT OF CORRECTIONS

As of June 30, 2021

Harold W. Clarke, Director

David Robinson, Chief of Corrections, Operations

Joseph W. Walters, Deputy Director, Administrations

Scott Richeson, Re-entry and Programs Director

Lucinda Childs-White, Director of Human Resources

Kathy Brown, Internal Audit Director

Louis Eacho, Chief Fiscal Officer