



OFFICE OF THE ATTORNEY GENERAL  
AND DEPARTMENT OF LAW  
AND DIVISION OF DEBT COLLECTION

REPORT ON AUDIT  
FOR THE PERIOD  
JULY 1, 2019 THROUGH JUNE 30, 2021

Auditor of Public Accounts  
Staci A. Henshaw, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

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## AUDIT SUMMARY

Our audit of the Office of the Attorney General and Department of Law (Office) and Division of Debt Collection (Division) for the period July 1, 2019 through June 30, 2021, included a review of internal controls over the following areas:

- Legal services billings, including billing system access controls
- Select human resource functions, including Commonwealth's retirement benefits system administration, employment eligibility verification, and executive leave management
- Medicaid Fraud Control Unit
- Division of Debt Collection
- Information system security

Relative to the areas tested, we found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's accounting and financial reporting system;
- matters involving internal control and its operation necessary to bring to management's attention; and
- instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

In addition, we followed up on select findings from the prior report as reflected in the Findings Summary in the [Appendix](#). The Office has taken adequate corrective action to resolve findings reported in the prior year that are identified as resolved. The Office has not taken adequate corrective action to resolve audit findings reported in the prior year that are identified as repeat.

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## AUDIT FINDINGS AND RECOMMENDATIONS

### **Improve Information Security Program and IT Governance**

**Type:** Internal Control and Compliance

**Repeat:** No

The Office of the Attorney General (Office) has an insufficient information technology (IT) governance structure to manage and maintain its information security program in accordance with the Commonwealth's Information Security Standard, SEC 501 (Security Standard). The Office has been unable to adequately manage and dedicate the necessary resources to effectively protect sensitive Commonwealth data in accordance with the Security Standard.

Agency heads are responsible for ensuring that a sufficient information security program is maintained, documented, and effectively communicated to protect the agency's IT systems (Security Standard, Section 2.4.2).

The Office has control weaknesses in the following areas tested during the firewall, virtual private network, and database reviews, showing that the Office does not maintain appropriate oversight over its information security program and does not meet the requirements in the Security Standard:

- Information Security Policies and Procedures
- Database System Configurations
- Network Firewall Configurations
- Virtual Private Network (VPN) Configurations
- Logging and Monitoring Processes
- Change Control Process
- Access Approval and Authorization Processes

Not having an appropriate governance structure to properly manage the Office's IT environment and information security program can result in a data breach or unauthorized access to confidential and mission critical data leading to data corruption, data loss, or system disruption if accessed by a malicious attacker, either internal or external.

The Office has limited resources and, as a result, does not have the necessary IT resources to ensure compliance with the requirements in the Security Standard. The lack of IT resources has hindered the Office's ability to consistently and timely remediate findings from management recommendations issued in prior year audits and bring its information security program into compliance with the Security Standard.

The Office should develop a formal plan to create and implement information security policies and procedures to manage and maintain its sensitive systems and maintain compliance with the Security Standard. The Office should evaluate the most efficient and productive method to bring its IT security program into compliance with the Commonwealth's Security Standard. The Office should also evaluate its IT resource levels to ensure sufficient resources are available to implement IT governance changes and rectify any control deficiencies. Implementing these recommendations will help ensure the confidentiality, integrity, and availability of the Office's mission essential data.

### **Continue to Improve Virtual Private Network Security Controls**

**Type:** Internal Control and Compliance

**Repeat:** Yes (first issued in fiscal year 2019)

**Prior Title:** Improve Virtual Private Network Security Controls

The Office continues to not implement controls in its Virtual Private Network (VPN) that are in accordance with the Security Standard. The Security Standard requires the implementation of certain security controls to safeguard mission-critical systems that contain or process sensitive data.

We identified and communicated the specific control weaknesses to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under Section 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms.

The Office should dedicate the necessary resources to mitigate the specific risks communicated in the FOIAE document. Furthermore, the Office should improve the security posture of remote connections to comply with the Security Standard in a timely manner. Implementing corrective action will help to ensure the Office secures its network to protect its systems and data.

### **Improve Database Security**

**Type:** Internal Control and Compliance

**Repeat:** No

The Office does not secure the database supporting its legal billing system in accordance with the Security Standard and industry best practices. The Security Standard requires agencies to implement certain minimum controls to safeguard data that is stored in database systems.

We identified and communicated the specific control weaknesses to management in a separate document marked FOIAE under Section 2.2-3705.2 of the Code of Virginia due to its sensitivity and description of security controls.

The Office should allocate the necessary resources to ensure database configurations, settings, and controls align with the requirements in the Security Standard and industry best practices, such as the CIS Benchmark. Implementing corrective action will help maintain the confidentiality, integrity, and availability of sensitive and mission critical data.

### **Continue to Improve Firewall Management**

**Type:** Internal Control and Compliance

**Repeat:** Partial (first issued in fiscal year 2016 with limited progress)

The Office continues to address the information security weaknesses in its prior year audit report to improve firewall management, including establishing policies, procedures, and processes to maintain agency firewalls. The Office did not address the majority of the weaknesses because it has been primarily focused on implementing corrective actions related to other management recommendations.

The Information Security Officer and management are aware of the weaknesses issued to them during the prior year in a separate document that is marked FOIAE under Section 2.2-3705.2 of the Code of Virginia, due to the sensitivity and description of security controls. The Office should address the weaknesses identified in the document marked FOIAE to ensure it protects the confidentiality, integrity, and availability of its sensitive and mission critical systems.

## **AGENCY HIGHLIGHTS**

The Attorney General is the chief executive officer of the Commonwealth of Virginia's Department of Law. The Office of the Attorney General and Department of Law (Office) acts as the Commonwealth's law firm. The Attorney General and his staff represent the Commonwealth's interests in all civil cases naming the Commonwealth, or any of its agencies or officials, as a party, and in criminal cases on appeal to the Court of Appeals of Virginia and the Supreme Court of Virginia. In cases involving federal law, the Attorney General represents the Commonwealth's interests in federal court. The Office also enforces consumer protection laws and investigates Medicaid fraud.

The Attorney General is also the legal advisor to the Governor and more than 200 state agencies, boards, commissions, and institutions. The Attorney General renders official opinions on the application of the law upon written request of the Governor, members of the General Assembly, members of the judiciary, state officials, or local constitutional officers. The Office handles criminal convictions on appeal and defends the state when prisoners sue concerning their incarceration. In addition, the Office defends legal challenges of the constitutionality of state laws. The Attorney General is responsible for providing all legal services for the Commonwealth and its agencies, unless it is impracticable and uneconomical to do so. If the Commonwealth utilizes outside counsel, the Attorney General supervises the appointment and payment of private attorneys hired by other state agencies for various matters.

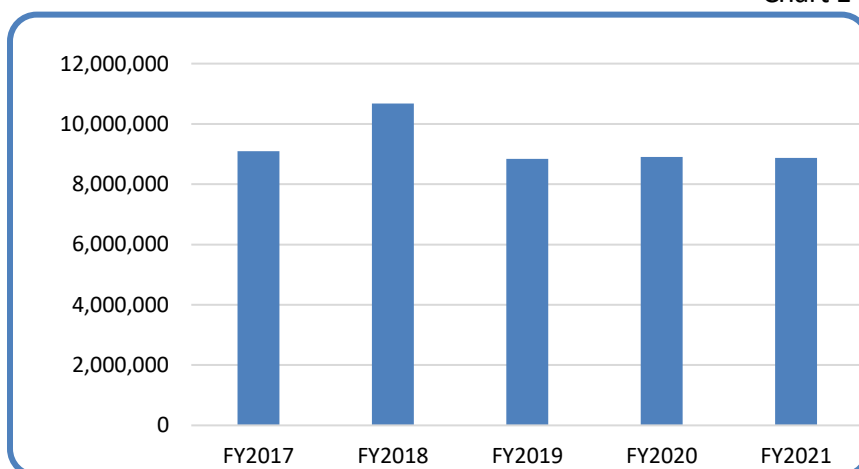
The Office's organizational structure is similar to a private law firm, with divisions devoted to legal specialties. In addition to the main office in Richmond, there are regional offices in Abingdon, Fairfax, and Roanoke. The Administration Division provides finance, human resources, information technology, and operations support to the legal divisions.

## Legal Services Billings

State law permits the Attorney General to bill agencies for the legal services if an agency receives all or a part of its funding from non-general funds. Billings for these services may be based on a set hourly rate, a Memorandum of Understanding/Agreement, or a Master Services Agreement between the Office and the agency. The hourly rate is based on a cost of business model prepared by the Office's Finance Department. Chart 1 shows legal service fee receipts of the Office for the fiscal years 2017 through 2021.

**Legal Service Fee Receipts**

Chart 1



Source: The Commonwealth's accounting and financial reporting system

## Medicaid Fraud Control Unit

The Virginia Medicaid Fraud Control Unit (Unit) investigates and prosecutes healthcare provider insurance fraud against the state and federally-funded Medicaid program. Federal regulations require the Office establish the Unit as a separate and distinct entity from the Department of Medical Assistance Services (DMAS), the state agency that administers the Medicaid program. The Unit must be certified by the U.S. Department of Health and Human Services and recertified annually. The Unit receives all payments related to recoveries from litigation which it then remits to DMAS.

**Medicaid Fraud Control Unit Inflows and Outflows**

Table 1

Fiscal Year	2020	2021
Recoveries Received	\$6,721,753	\$5,337,721
Recoveries Remitted	(6,721,753)	(5,337,721)
<b>Net Total</b>	<b>\$ -</b>	<b>\$ -</b>

Source: The Commonwealth's accounting and financial reporting system

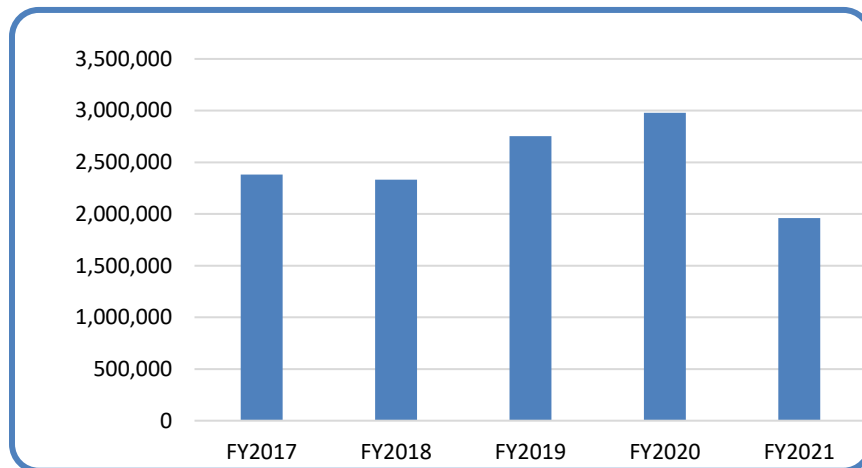
## **Division of Debt Collection**

The Division of Debt Collection (Division) is a separate agency within the Office. It collects delinquent accounts for state agencies, state-supported institutions of higher education, and their hospitals. Upon receiving delinquent accounts from state agencies, the Division will take appropriate action, including litigation, to collect them.

The Division funds operations with a portion of fees retained from its collections. The 2021 Appropriation Act allows the Division to keep \$400,000 as operating capital and requires the transfer of any excess collections to the General Fund by September 1 of each year. The Division can request to keep more of the balance, but the Department of Planning and Budget must approve this request. The following chart details the Division's debt collection fees for the last five fiscal years.

**Debt Collection Fees**

Chart 2



Source: The Commonwealth's accounting and financial reporting system





Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

August 31, 2021

The Honorable Ralph S. Northam  
Governor of Virginia

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

The Honorable Mark R. Herring  
Attorney General of Virginia

We have audited the financial records and operations of the **Office of the Attorney General and Department of Law and Division of Debt Collection (Office)** for the period July 1, 2019 through June 30, 2021. 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's accounting and financial reporting system; review the adequacy of the Office's internal controls; test compliance with applicable laws, regulations, contracts, and grant agreements; and review corrective actions of audit findings from prior year reports. See the Findings Summary included in the [Appendix](#) for a listing of prior year findings and the status of follow-up on management's corrective action.

## **Audit Scope and Methodology**

The Office's 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 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.

- Legal services billings, including billing system access controls
- Commonwealth's retirement benefits system management
- Employment eligibility verification
- Executive leave management
- Medicaid Fraud Control Unit
- Division of Debt Collection
- Information system security

We performed audit tests to determine whether the Office's 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 the Office's operations. We performed analytical procedures, including 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 the Office properly stated, in all material respects, the amounts recorded and reported in the Commonwealth's accounting and financial reporting system. The financial information presented in this report came directly from the Commonwealth's accounting and financial reporting system.

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

The Office has not taken adequate corrective action with respect to findings noted as repeat in the Findings Summary included in the Appendix. The Office has taken adequate corrective action with respect to findings noted as resolved in the Findings Summary.

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

We discussed this report with management on September 10, 2021. 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.

Staci A. Henshaw  
AUDITOR OF PUBLIC ACCOUNTS

KJS/vks

## FINDINGS SUMMARY

Finding Title	Follow Up Status	Year(s) Issued
Continue to Improve Firewall Management	Repeat*	2016, 2017, 2018, 2019, 2020-2021
Improve Legal Billings Internal Controls	Resolved	2018
Comply with Federal Requirements for Documentation of Employment Eligibility	Resolved	2018, 2019
Continue to Improve Virtual Private Network Security Controls	Repeat*	2019, 2020-2021
Improve Information Security Program and IT Governance	New	2020-2021
Improve Database Security	New	2020-2021

\*Follow-up status on prior year findings identified as “Repeat” indicates sufficient corrective action on a prior recommendation is not complete; therefore, the prior year finding has been fully or partially repeated.



## COMMONWEALTH of VIRGINIA

*Office of the Attorney General*

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Attorney General

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September 21, 2021

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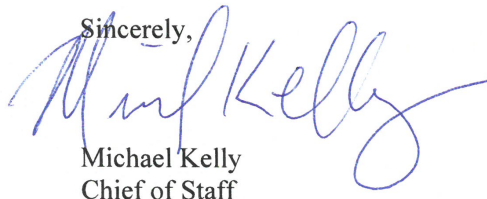
Dear Ms. Henshaw:

On behalf of Attorney General Mark R. Herring and the Office of the Attorney General I would like to thank you for providing us an opportunity to comment on the findings and recommendations in the Fiscal Years 2020-2021 audit of the Office of the Attorney General.

I am very pleased that you and your team "found that Office properly stated, in all material respects, the amounts recorded and reported in the Commonwealth's accounting and financial reporting system." I am also pleased that you found satisfactory resolution of previously identified areas of need, and greatly appreciate your team's compliments on the quality of this Office's work, and the administrative directors who oversee this work.

Management recognizes the need to continually strengthen internal controls and ensure compliance with all applicable standards, including sections of the SEC 501 and any other areas identified for Information Technology Section. We are actively working towards redressing the areas of improvement that you and your team have helpfully identified.

As always, management of this agency continues to recognize the need for compliance with applicable standard and requirements, and for adequate internal controls and polices to ensure security and compliance by our agency. We will work expeditiously to address the items you have noted and look forward to continuing our productive work relationship with you and your team.

Sincerely,  
  
Michael Kelly  
Chief of Staff

**THE OFFICE OF THE ATTORNEY GENERAL  
AND DEPARTMENT OF LAW AND DIVISION OF DEBT COLLECTION**

As of June 30, 2021

Mark R. Herring  
Attorney General

Erin B. Ashwell  
Chief Deputy Attorney General

Christie A. Wells  
Director of Finance