



DISABILITY SERVICES AGENCIES

REPORT ON AUDIT FOR THE PERIOD JULY 1, 2019 THROUGH MARCH 31, 2022

Auditor of Public Accounts
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AUDIT SUMMARY

We audited the Disability Services Agencies' procurement and management of select capital outlay projects and the Department for Aging and Rehabilitative Services' processes governing general ledger journal transactions for the period beginning July 1, 2019, and ending March 31, 2022. We also followed up on various findings from prior audits related to capital asset management; fiscal agent memorandums of understanding; client gift, fuel, and small purchase charge cards; and information system security at the Department for the Blind and Vision Impaired. We found:

- proper recording and reporting, in all material respects, in the Commonwealth's accounting and reporting system;
- matters involving internal control and its operation related to information system security, financial system reconciliations, general ledger journal transactions, and small purchase charge cards necessary to bring to management's attention;
- matters involving noncompliance with applicable laws and regulations or other matters that are required to be reported related to information system security; and
- adequate corrective action with respect to prior audit findings identified as resolved in the [Findings Summary](#) in the Appendix.

The Disability Services Agencies include the following:

- Department for Aging and Rehabilitative Services (including the Wilson Workforce Rehabilitation Center)
- Department for the Blind and Vision Impaired (including the Virginia Industries for the Blind and the Virginia Rehabilitation Center for the Blind and Vision Impaired)
- Department for the Deaf and Hard-of-Hearing
- Virginia Board for People with Disabilities

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AUDIT FINDINGS AND RECOMMENDATIONS

Improve Information Technology Governance

Type: Internal Control and Compliance

Repeat: Partial (first issued in fiscal year 2018)

The Department for the Blind and Vision Impaired (Blind and Vision Impaired) continues to improve its information technology (IT) governance structure to manage and maintain its information security program. However, Blind and Vision Impaired has incurred delays in establishing an effective governance structure due to resource constraints and turnover in key positions.

Blind and Vision Impaired is responsible for securing the infrastructure that supports its two mission-critical systems because the systems are not managed by the Virginia Information Technologies Agency's (VITA) contractual partnership with various IT service providers (Partnership). The two sensitive systems provide Blind and Vision Impaired with sales, inventory, ordering, production, accounts receivable, and reporting capabilities. Blind and Vision Impaired provides financial data from the two systems to the Department for Aging and Rehabilitative Services (Aging and Rehabilitative Services) to record in the Commonwealth's accounting and financial reporting system, making the integrity and availability of the sensitive systems critically important.

Since the prior audit, Blind and Vision Impaired worked with Aging and Rehabilitative Services to update its Memorandum of Understanding (MOU) and include IT and security service level agreements. Blind and Vision Impaired also adopted Aging and Rehabilitative Services' Information Security Policy and relies on Aging and Rehabilitative Services for IT resources and support, such as consulting to develop formal procedures to support its information security program. Additionally, executive management and IT representatives for Blind and Vision Impaired and Aging and Rehabilitative Services meet on a quarterly basis to discuss changes to the IT environment, policy and procedure needs, and performance reviews.

While Blind and Vision Impaired made some progress to improve its governance structure since our last audit, the following areas continue to have weaknesses that affect its IT environment:

- End-of-Life technology
- Lack of information security procedures and processes
- Outdated manufacturing and point-of-sales systems
- Lack of assurance over third-party service providers

The Commonwealth's Information Security Standard, SEC 501 (Security Standard), Section 2.4.2, requires that the agency head document, communicate, and maintain an information security program

that is sufficient to protect the agency's IT systems. By not having an appropriate governance structure to properly manage its IT environment and information security program, Blind and Vision Impaired is at an increased risk for a data breach or unauthorized access to confidential and mission-critical data. Unauthorized system access increases the risk for data corruption, data loss, or system disruption, particularly if accessed by a malicious attacker. If a breach occurs, customers may lose confidence in Blind and Vision Impaired, which could impact sales and revenue.

Blind and Vision Impaired and Aging and Rehabilitative Services finalized the MOU revisions in July 2021 and continue to make progress implementing the operations outlined in the MOU. Blind and Vision Impaired and Aging and Rehabilitative Services have held a limited number of governance meetings since they implemented the new MOU, in which the two agencies continue to prioritize discussion topics to ensure they progress with corrective actions. Additionally, delays in procuring a new system to replace its outdated manufacturing and point-of-sales systems hindered Blind and Vision Impaired's corrective actions to resolve the weaknesses affecting its IT environment. Furthermore, Aging and Rehabilitative Services' Information Security Officer (ISO) departed the agency in spring 2022, causing delays in Blind and Vision Impaired's planned corrective actions.

Blind and Vision Impaired should continue working with Aging and Rehabilitative Services to develop and implement formal procedures that support its information security policies and program in compliance with the Security Standard. Additionally, Blind and Vision Impaired and Aging and Rehabilitative Services should continue to hold regular governance meetings to oversee and direct the corrective actions to improve Blind and Vision Impaired's information security program and ensure it maintains its IT environment in accordance with the Security Standard. Implementing an appropriate governance structure to manage its information security program will help to ensure the confidentiality, integrity, and availability of Blind and Vision Impaired's mission-critical data.

Develop and Implement Information Security Policies and Procedures

Type: Internal Control and Compliance

Repeat: Partial (first issued in fiscal year 2018)

Blind and Vision Impaired is making progress to develop information security policies and procedures to support its sensitive systems and information security program. We previously recommended that Blind and Vision Impaired work with Aging and Rehabilitative Services to develop service level agreements. The purpose of the agreements is to provide a framework for Aging and Rehabilitative Services to share information security resources with Blind and Vision Impaired to strengthen its information security posture by creating policies, procedures, processes, and training. Since the prior audit, Blind and Vision Impaired and Aging and Rehabilitative Services updated its MOU to include service level agreements for IT and security services. Additionally, Blind and Vision Impaired adopted Aging and Rehabilitative Services' Information Security Policy but it is still in the process of developing policies and procedures and providing training to its staff.

Section 2.4.2 of the Security Standard requires the agency head to document, communicate, and maintain an information security program that is sufficient to protect the agency's IT systems. Without documenting procedures to support the Information Security Policy and Blind and Vision Impaired's

business processes and providing training to its staff, Blind and Vision Impaired's staff may not consistently follow the current process and comply with IT and security policies. Undocumented procedures increase Blind and Vision Impaired's risk of unauthorized access, data loss, and system disruption.

Aging and Rehabilitative Services' ISO departed the agency in spring 2022, slowing Blind and Vision Impaired's progress to complete information security procedures and provide training to its staff on the new policies and processes. Blind and Vision Impaired should continue to work with Aging and Rehabilitative Services to complete the development and implementation of formal procedures necessary to support its information security program and sensitive systems based on its evaluation of risk. Implementing corrective action will help Blind and Vision Impaired achieve compliance with the Security Standard and help to maintain the integrity and availability of its sensitive systems and mission-critical data.

Improve Oversight over Third Party Providers

Type: Internal Control and Compliance

Repeat: Partial (first issued in fiscal year 2018)

Blind and Vision Impaired continues to improve its process to gain annual assurance that its third-party service providers (providers) have secure IT environments to protect its mission-critical data. Blind and Vision Impaired uses separate providers to assist with managing, maintaining, and hosting its two mission-critical systems. The manufacturing and point-of-sale systems are not managed by the Commonwealth's IT Partnership; therefore, Blind and Vision Impaired is responsible for obtaining and reviewing independent audits of the infrastructure that supports each system. In addition, Blind and Vision Impaired uses two credit card processors to support its online credit card purchases, purchases made at Blind and Vision Impaired stores, and for direct orders to the manufacturing plant.

Blind and Vision Impaired updated its MOU with Aging and Rehabilitative Services in July 2021 to include service level agreements for IT and information security services. As part of this update, Blind and Vision Impaired adopted Aging and Rehabilitative Services' Information Security Policy and since that time relies on Aging and Rehabilitative Services to review the providers' independent audit assurance reports. However, Blind and Vision Impaired continues to not have a formal procedure that outlines the process to collaborate with Aging and Rehabilitative Services to obtain and review independent audit assurance from its providers. As a result, Blind and Vision Impaired did not obtain assurance from the data center hosting the point-of-sale system nor from its two credit card processors.

Aging and Rehabilitative Services' Information Security Policy, which is based on the Security Standard, requires Disability Services Agencies to define and document government oversight and user roles and responsibilities regarding external information system services, and employ appropriate processes, methods, and techniques to monitor security control compliance by external service providers on an ongoing basis (*Information Security Policy, Section 8.15.9 External Information Systems (SA-9)*). The Commonwealth's Hosted Environment Information Security Standard, SEC525 (Hosted Environment Security Standard), requires agencies to perform an annual security audit or review the annual audit report of the environment conducted by an independent, third-party audit firm on an

annual basis (*Hosted Environment Security Standard, Section SA-9-COV-3.1 External Information Systems Services*). Additionally, the Payment Card Industry Data Security Standard (PCI DSS) requires merchants to demonstrate compliance annually and provide sufficient evidence to their customers. Gaining this assurance includes verifying that the scope of the service provider's PCI DSS assessment covered the services applicable to the customer and determined the required controls are in place.

By not gaining assurance over providers' IT environments, Blind and Vision Impaired cannot validate the providers have effective IT controls to protect the integrity of its data. Additionally, without verifying the credit card processors comply with the requirements in the PCI DSS, Blind and Vision Impaired cannot verify the credit card processors have the technical and operational controls in place to protect cardholder data.

Blind and Vision Impaired did not request Aging and Rehabilitative Services to perform the review due to Aging and Rehabilitative Services' ISO departing the agency in spring 2022. Additionally, the ISO's departure has delayed progress for Blind and Vision Impaired to complete a formal procedure to consistently gain assurance over its providers.

Blind and Vision Impaired should continue working with Aging and Rehabilitative Services to develop a formal procedure to gain assurance annually that its providers have secure IT environments to protect its mission-critical data and obtain the necessary PCI DSS compliance documents from its credit card processors annually to ensure they have reasonable controls to protect cardholder data. Implementing corrective action will help to ensure Blind and Vision Impaired's providers are protecting the confidentiality, integrity, and availability of its mission-critical and cardholder data.

Improve Information Security for Point-of-Sale System

Type: Internal Control and Compliance

Repeat: Yes (first issued in fiscal year 2018)

Blind and Vision Impaired continues to not secure its point-of-sale system with some of the minimum security controls required by the Security Standard. Blind and Vision Impaired uses the point-of-sale system to manage inventory and accounts receivable data.

We identified two weaknesses and communicated them to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under § 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. Additionally, Blind and Vision Impaired continues to operate the point-of-sale system with these weaknesses without an approved security exception from the Commonwealth's Chief Information Security Officer (CISO).

The Security Standard requires agencies to implement certain controls that reduce the unnecessary risk to data confidentiality, integrity, and availability in systems processing or storing sensitive information. By not meeting the minimum requirements in the Security Standard, Blind and Vision Impaired cannot ensure the confidentiality, integrity, and availability of data within its systems.

Blind and Vision Impaired worked with Aging and Rehabilitative Services and VITA to develop and issue a request for proposal (RFP) for a new system to replace its two mission-critical systems, but the RFP did not produce viable results. Blind and Vision Impaired has since published a new RFP to replace its two mission-critical systems.

Blind and Vision Impaired should continue working with Aging and Rehabilitative Services and VITA to procure and implement a new system to replace its manufacturing and point-of-sale systems. Implementing a new point-of-sale system will enable Blind and Vision Impaired to address the identified weaknesses in this recommendation. In addition, Blind and Vision Impaired should obtain a security exception from the Commonwealth's CISO for the outstanding weaknesses, which will require the evaluation of compensating controls needed to reduce the risk of Blind and Vision Impaired's continued use of the existing point-of-sale system.

Improve Controls over System Access

Type: Internal Control and Compliance

Repeat: Partial (first issued in fiscal year 2018)

Blind and Vision Impaired continues to not meet certain minimum system access control requirements of the Security Standard for its point-of-sale and manufacturing systems. Since the prior audit, Blind and Vision Impaired has made improvements to address the weaknesses identified in the prior audit finding. System owners for the point-of-sale and manufacturing systems have created written policies and procedures for granting, terminating, and managing access to the systems and have also identified critical modules and conflicting roles within both systems. However, Blind and Vision Impaired has not completed and documented quarterly reviews of system access for both systems, as required by its internal policy.

The Security Standard, Section AC-2, states that agencies must review user access rights at regular intervals, at least annually; and after any changes, such as promotion, demotion, or termination of employment. Blind and Vision Impaired has not been able to comply with its policy or the Security Standard because of vacancies in its ISO position. The ISO is responsible for coordinating and conducting quarterly security reviews. Not monitoring system user access increases the risk of unauthorized individuals inappropriately entering or approving transactions or accessing sensitive information.

Blind and Vision Impaired should implement its internal policy over monitoring user access in its point-of-sale and manufacturing systems to comply with the Security Standard. Additionally, Blind and Vision Impaired should identify an alternate party to perform the reviews if the ISO position is vacant and update its policy accordingly.

Upgrade Manufacturing System

Type: Internal Control and Compliance

Repeat: Partial (first issued in fiscal year 2018)

Blind and Vision Impaired continues to not secure its mission-critical manufacturing system with the minimum control requirements in the Security Standard. Blind and Vision Impaired uses its manufacturing system to track sales, inventory, ordering, and production data. The manufacturing system also interfaces with Blind and Vision Impaired's point-of-sale system to receive accounts receivable information. Blind and Vision Impaired processes some financial information in the manufacturing system that is subsequently uploaded to the Commonwealth's accounting and financial reporting system via Aging and Rehabilitative Services.

Since the prior year audit, Blind and Vision Impaired resolved one of the five weaknesses we identified by upgrading the database that supports the manufacturing system. Additionally, Blind and Vision Impaired worked with Aging and Rehabilitative Services and VITA to develop an RFP for a new system to replace the two mission-critical systems, but the RFP did not produce viable results. As a result, Blind and Vision Impaired continues to use the manufacturing system with the four control weaknesses remaining from the prior year without an approved exception from the Commonwealth's CISO. We communicated the four remaining weaknesses to management in a separate document marked FOIAE under § 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms.

Three of the four weaknesses noted above are due to system limitations within the manufacturing system, while the fourth weakness is due to Blind and Vision Impaired's staffing limitations. Blind and Vision Impaired has since published a new RFP to replace its two mission-critical systems.

Blind and Vision Impaired should continue working with Aging and Rehabilitative Services and VITA to procure and implement a new system to replace its manufacturing system and meet the minimum security requirements outlined in the Security Standard. Implementing a new manufacturing system will help ensure the integrity and availability of Blind and Vision Impaired's mission-critical data. In addition, Blind and Vision Impaired should obtain a security exception from the Commonwealth's CISO for the outstanding weaknesses, which will require the evaluation of compensating controls needed to reduce the risk of Blind and Vision Impaired's continued use of the existing manufacturing system. Blind and Vision Impaired should continue working with Aging and Rehabilitative Services to dedicate the necessary resources to implement required security mechanisms.

Improve Internal Controls Over Financial System Reconciliations

Type: Internal Control

Repeat: Partial (first issued in fiscal year 2018)

Aging and Rehabilitative Services' Fiscal Division (Fiscal) continues to not have documented policies and procedures that cover the reconciliation between Blind and Vision Impaired's manufacturing

system and the Commonwealth's accounting and reporting system. Annually, Blind and Vision Impaired processes over \$50 million in expense and revenue transactions through its manufacturing system.

Since the prior audit, Fiscal and Blind and Vision Impaired have worked together to clarify responsibilities for reconciling the manufacturing system to the Commonwealth's accounting and reporting system. Additionally, Fiscal and Blind and Vision Impaired have worked together to streamline the reconciliation process and improve the documentation supporting the reconciliation.

Topic 20905 of the Commonwealth's Accounting Policies and Procedures Manual (CAPP Manual), requires agencies to publish, in writing with agency management approval, corresponding internal policies and procedures for each topic in the CAPP Manual. Written policies and procedures define responsible parties for the preparation and review of these reconciliations. They also ensure that agency-specific processes for performing the reconciliations are clear if there is turnover in the preparer or reviewer positions or if the responsible individuals are unavailable to complete the reconciliations.

Fiscal did not create and document policies and procedures over these reconciliations because of turnover. Fiscal should publish and have agency management approve, in writing, agency-specific policies and procedures over financial system reconciliations to comply with the provisions of the CAPP Manual.

Improve Internal Controls Surrounding General Ledger Journal Transactions

Type: Internal Control

Repeat: No

Fiscal at Aging and Rehabilitative Services has not developed a schedule of routine general ledger journal entries. Fiscal uses general ledger journal entries to distribute, adjust, and correct transactions in the Commonwealth's accounting and financial reporting system.

During the period under review, Fiscal processed 3,991 general ledger journal entries for the Disability Services Agencies. Some of Fiscal's notable routine journal entries included, but were not limited to transactions to reallocate:

- Agency indirect cost recoveries from federal grants;
- Revenues earned by the Virginia Rehabilitation Center for the Blind and Vision Impaired for providing goods or services to other state agencies; and
- Small purchase charge card expenses.

CAPP Manual Topic 20410 states that agencies should establish a routine schedule for accumulating and processing general ledger journals each month. Not documenting and retaining a schedule elevates the risk of a misstatement, especially when there is turnover within the agency.

Fiscal experienced turnover during the period under review and was unaware of the requirement to establish a schedule for accumulating and processing general ledger journal transactions. Fiscal should develop, document, and retain a schedule of routine adjusting journal entries that meets the requirements of the CAPP Manual.

Monitor Small Purchase Charge Card Activity on a Monthly Basis

Type: Internal Control

Repeat: Partial (first issued in fiscal year 2016)

Prior Title: Improve Purchase Card Reconciliations and Document Retention

Aging and Rehabilitative Services is not meeting the requirements of the CAPP Manual for monitoring small purchase charge card activity. In a prior audit, we identified instances where Aging and Rehabilitative Services did not complete purchase charge card reconciliations timely or did not have proper supporting documentation in the charge card system. As part of its corrective action, Aging and Rehabilitative Services' management stated that the Small Purchase Charge Card Administrator (Administrator) would perform routine audits to monitor compliance with internal policy and the CAPP Manual. During the period under review, Aging and Rehabilitative Services was responsible for monitoring over 400 cardholders and incurred \$18 million in charge card expenses. However, Aging and Rehabilitative Services experienced turnover in its Administrator position and has not performed cardholder audits since September 2021. The scope of our audit focused on whether the Administrator position was performing its responsibilities and did not include a review of small purchase charge card transactions.

CAPP Manual Topic 20355 states that the Administrator is responsible for monitoring the transactional data of small purchase charge cards on, at least, a monthly basis to ensure compliance with agency and Commonwealth policies. Compliance with these policies includes requiring cardholders to perform monthly reconciliations and retain proper supporting documentation of transactions. By not performing cardholder monitoring procedures on a regular basis, the Administrator cannot gauge whether agency personnel are complying with internal policies and the CAPP Manual. Additionally, without performing monitoring procedures, there is an increased risk that Aging and Rehabilitative Services may not detect improper or fraudulent charges made on small purchase charge cards.

Aging and Rehabilitative Services hired a new Administrator in spring 2022, and it plans to resume cardholder monitoring activities once the Administrator completes the required training. Aging and Rehabilitative Services' management should monitor the activities of the Administrator to verify that the agency is complying with internal small purchase charge card requirements and the CAPP manual.

AUDIT SCOPE OVERVIEW

The Disability Services Agencies provide various services to the Commonwealth's disabled and aging population. Aging and Rehabilitative Services, as the fiscal agent, provides fiscal and administrative services in the areas of human resources, payroll, information technology, procurement, purchasing cards, and fleet management for the Disability Services Agencies through Memorandums of Understanding.

Capital Outlay Procurement and Management

Disability Services Agencies secure funding through the Virginia Public Building Authority (VPBA) for capital outlay projects intended to construct, improve, furnish, maintain, acquire, or operate public buildings for the use of the Commonwealth. Section 2.2-2260 through § 2.2-2278 of the Code of Virginia governs the use of VPBA proceeds. Additionally, Disability Services Agencies follow the Department of General Services' Construction and Professional Services Manual to administer capital outlay projects. In fiscal years 2018 and 2019, VPBA funding for Disability Services Agencies averaged approximately \$4 million. However, average VPBA funding for Disability Services Agencies increased to \$10 million during the period under review. Most of this increase pertains to the Anderson Vocational Training Building capital outlay project at the Wilson Workforce Rehabilitation Center and the Headquarter Building capital outlay project at Blind and Vision Impaired. Funding for the Anderson Vocational Training Building capital outlay project totaled approximately \$16.7 million and funding for the Headquarter Building capital outlay project totaled \$5.7 million. We elected to audit the Disability Services Agencies administration of these capital outlay projects because we have not tested internal controls or compliance related to capital outlay procurement and management recently and there has been a significant increase in funding through the VPBA.

General Ledger Journal Transactions

Aging and Rehabilitative Services, serving as the fiscal agent for the Disability Services Agencies, uses general ledger journal transactions to distribute, adjust, and/or correct revenue or expense transactions in the Commonwealth's accounting and financial reporting system. Table 1 below illustrates the amount of general ledger journal transactions used to distribute, adjust, and/or correct revenue or expense type transactions for each agency compared to the total amount of transactions processed during the period under review.

Table 1

	Department for Aging and Rehabilitative Services*	Virginia Board for People with Disabilities	Department for the Blind and Vision Impaired**	Department for the Deaf and Hard-of-Hearing
Count of General Ledger Journals	2,359	234	1,214	184
Count of All Transactions	8,479	1,305	5,711	1,495
% of Total	28%	18%	21%	12%

Source: Commonwealth's accounting and financial reporting system

* Aging and Rehabilitative Services includes the Wilson Workforce and Rehabilitation Center

** Blind and Vision Impaired includes the Virginia Rehabilitation Center for the Blind and Vision Impaired

CAPP Manual Topic 20410 states that each agency should establish a routine schedule for accumulating and processing general ledger journal transactions during the month. Additionally, the CAPP Manual requires each agency to record all accounting transactions with sufficient information so that the agency can identify them in the applicable general ledger accounts for meaningful fund reporting. Further, the agency's fiscal office must review and approve general ledger journals. Since general ledger journal transactions are a substantial portion of the Disability Services Agencies' financial activity, we audited Aging and Rehabilitative Services' internal controls over general ledger journal transactions because the lack of internal controls around these types of transactions could increase the risk of fraud and error in the Disability Service Agencies' financial records.

Prior Year Management Recommendations

We followed up on fifteen findings from prior audit reports as identified in the [Findings Summary](#) in the Appendix related to capital asset management, fiscal agent MOUs for all Disability Services Agencies, information system security controls at Blind and Vision Impaired, and Disability Services Agencies' internal controls over client gift, fuel, and small purchase charge cards. We provide additional background below on responsibilities for various administrative services.

Disability Services Agencies Memorandums of Understanding

Disability Services Agencies' MOUs are the foundation for communication, internal controls, and responsibilities between the Disability Services Agencies. Aging and Rehabilitative Services provides a large range of different services for the Disability Services Agencies. However, Aging and Rehabilitative Services does not provide information technology services over Blind and Vision Impaired's point-of-sale and manufacturing systems. The Department for Deaf and Hard-of-Hearing, Virginia Board for People with Disabilities, and Blind and Vision Impaired pay Aging and Rehabilitative Services for the fiscal and administrative services provided. Since the MOUs play such a large role in the internal controls at each agency, we followed up to determine the progress made to resolve this finding as part of our audit objectives.

Information System Security

The Commonwealth's IT Partnership supports the majority of the Disability Service Agencies' IT assets; however, the IT Partnership does not support Blind and Vision Impaired's point-of-sale or manufacturing systems. As a result, Blind and Vision Impaired is responsible for managing and protecting the information technology environment for those two systems in compliance with the Security Standard.

The point-of-sale system performs inventory management, credit card processing, revenue collections, and accounts receivable management for the different store locations. In addition, the manufacturing system supports sales, inventory, ordering, production, accounts receivable, revenue collections, and internal reporting for the manufacturing locations. Blind and Vision Impaired uses third-party providers to manage and maintain the systems and to provide the information technology infrastructure on which the systems reside. We followed up on the prior year findings for these information systems since Blind and Vision Impaired is directly responsible for their protection.



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Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
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June 5, 2023

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

We audited the **Disability Services Agencies'** procurement and management of select capital outlay projects and the Department for Aging and Rehabilitative Services' (Aging and Rehabilitative Services) processes governing general ledger journal transactions for the period beginning July 1, 2019, and ending March 31, 2022. We also followed up on findings from prior audits related to capital asset management; fiscal agent memorandums of understanding; client gift, fuel, and small purchase charge cards; and information system security at the Department for the Blind and Vision Impaired. 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 Scope and Objectives

Our audit's primary objectives with regard to the specific business cycles identified above, were to evaluate the accuracy of the transactions as recorded in the Commonwealth's accounting and financial reporting system; review the adequacy of the Disability Services Agencies' 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 Methodology

Management of the Disability Services Agencies have 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 the Disability Services Agencies' 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 the Disability Services Agencies' 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 the Disability Services Agencies properly stated, in all material respects, capital outlay project expenses and general ledger journal transactions recorded and reported in the Commonwealth's accounting and financial reporting system.

We noted certain matters pertaining to information system security, financial system reconciliations, general ledger journal transactions, and small purchase charge cards, 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 titled "Audit Findings and Recommendations."

The Disability Services Agencies have taken adequate corrective action with respect to audit findings reported in the prior year that are listed as resolved in the [Findings Summary](#) in the Appendix.

Exit Conference and Report Distribution

We discussed this report with management on June 15, 2023. 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 citizens of the Commonwealth of Virginia and is a public record.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

MAS/clj

FINDINGS SUMMARY

Finding	Follow Up Status	Year(s) Issued
Improve Received Check Depositing and Reconciliation Processes	Resolved	2014, 2017, 2019
Improve Documentation over Traveler's Reimbursement of Purchase Cards	Resolved	2016, 2018
Improve Internal Controls over Client Gift and Fuel Card Purchases	Resolved	2016, 2018
Update Disability Services Agencies Memorandum of Understanding	Resolved	2018, 2019
Implement Software and Other Intangible Assets Policy	Resolved	2019
Improve Controls Over Capital Assets	Resolved	2019
Improve Controls over Wilson Workforce Capital Assets	Resolved	2019
Develop and Implement Information Security Policies and Procedures	Repeat*	2018, 2019, 2022
Improve Controls over System Access	Repeat*	2018, 2022
Improve Information Security for Point-of-Sale System	Repeat*	2018, 2019, 2022
Improve Information Technology Governance	Repeat*	2018, 2019, 2022
Improve Internal Controls Over Financial System Reconciliations	Repeat*	2018, 2022
Improve Oversight Over Third-Party Providers	Repeat*	2018, 2019, 2022
Monitor Small Purchase Charge Card Activity on a Monthly Basis	Repeat*	2018, 2019, 2022
Upgrade Manufacturing System	Repeat*	2018, 2019, 2022
Improve Internal Controls Surrounding General Ledger Journal Transactions	New	2022

*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
DEPARTMENT FOR AGING AND REHABILITATIVE SERVICES

KATHRYN A. HAYFIELD
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June 21, 2023

Staci Henshaw
Auditor of Public Accounts
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Dear Ms. Henshaw:

We have reviewed your Disability Services Agencies Audit Report for the period of July 1, 2019 through March 31, 2022. We give your comments the highest level of importance and consideration as we continue to improve our operation and process. We discussed the "Finding and Recommendations" with your team during the exit conference.

We concur with the findings and are adopting strategies to improve the internal control environment of our agencies. We will complete development of the corrective action plan within 30 days of this report.

Should you require more information, please do not hesitate to contact Greg Sands, Director of Internal Audit at greg.sands@dars.virginia.gov or 804-659-4062.

Sincerely,


Kathy A. Hayfield
DARS Commissioner


Rick L. Mitchell
DBVI Commissioner

DISABILITY SERVICES AGENCIES

As of March 31, 2022

Kathryn Hayfield, Commissioner
Department for Aging and Rehabilitative Services

Raymond Hopkins, Commissioner
Department for the Blind and Vision Impaired

Eric Raff, Director
Department for the Deaf and Hard-Of-Hearing

Teri Morgan, Executive Director
Virginia Board for People with Disabilities