



# VIRGINIA DEPARTMENT OF TRANSPORTATION

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2024

Auditor of Public Accounts  
Staci A. Henshaw, CPA

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## AUDIT SUMMARY

Our audit of the Virginia Department of Transportation (Transportation) for the year ended June 30, 2024, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's accounting and reporting system, Transportation's internal accounting and reporting system, and supplemental information and attachments submitted to the Department of Accounts (Accounts);
- matters involving internal control and its operation necessary to bring to management's attention that also represent instances of noncompliance with applicable laws and regulations or other matters that are required to be reported; and
- adequate corrective action with respect to three prior audit findings and recommendations identified as complete in the [Findings Summary](#) included in the Appendix.

In the section titled "Internal Control and Compliance Findings and Recommendations," we have included our assessment of the conditions and causes resulting in the internal control and compliance findings identified through our audit as well as recommendations for addressing those findings. Our assessment does not remove management's responsibility to perform a thorough assessment of the conditions and causes of the findings and develop and appropriately implement adequate corrective actions to resolve the findings as required by 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 recommendations.

In fiscal year 2023, we included the results of our audit of Transportation in the report titled "[Agencies of the Secretary of Transportation for the Year Ended June 30, 2023](#)."

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## INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

### **Improve Offboarding Process**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**First Reported:** Fiscal Year 2020

The Virginia Department of Transportation's (Transportation) current offboarding process is not an effective control for meeting its operational and compliance objectives. As currently designed, the offboarding process begins when the employee, the supervisor, or a member of the local human resources team initiates the separation process (retirement, resignation, or termination) within Transportation's human resources management system. Once initiated, employees in several divisions and offices throughout Transportation are responsible for executing assigned offboarding tasks. Responsible employees complete many of these offboarding tasks in distinct, standalone systems and not within Transportation's human resources management system. As such, Transportation's human resources management system is the tool Transportation uses to communicate the offboarding tasks required by the responsible employees within their respective systems.

Additionally, responsible employees are to confirm they have finished their assigned offboarding tasks by completing their portion of the Employee Separation/Transfer Checklist; however, the Human Resources Division could not provide a fully completed checklist for five of 37 (14%) separated employees tested. Additionally, because of delays in supervisors initiating the offboarding process, the Information Technology Division did not remove access to the Commonwealth's network timely for 21 of 36 (58%) separated employees tested that had access. On average, these employees retained access eight days after their separation date. Furthermore, Transportation did not terminate physical badge access timely for eight of 37 (22%) separated employees tested. On average, excluding two individuals for which Transportation could not provide separation checklists, the remaining six employees, based on information provided by Transportation, retained their physical access an average of five days after their separation date.

Management is responsible for maintaining an internal control system that is effective at meeting operational and compliance objectives. Management does this by designing policies and procedures to fit the entity's circumstances and implementing the policies as an integral part of the entity's operations. The Commonwealth's Information Security Standard, SEC530 (Security Standard) requires that an organization disable an individual's information system access within 24 hours of employment termination. With an offboarding process that is not effective at meeting operational and compliance objectives, Transportation is increasing the risk that separated employees will inappropriately retain access to Commonwealth property and systems and use this access to cause harm.

Transportation manages approximately 8,000 employees in a decentralized environment across the entire Commonwealth with a current process that is not effective at offboarding individuals in a manner that meets operational and compliance objectives. Management from the Human Resources Division and other applicable divisions should collaborate to establish offboarding business processes

that are effective at meeting related objectives. Additionally, management within Transportation should establish and maintain a regular monitoring process of any new offboarding procedures to ensure its operational effectiveness.

### **Improve Database Security**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**First Reported:** Fiscal Year 2023

Transportation does not secure one of its databases in accordance with its internal policies, the Security Standard, and industry best practices, such as the Center for Internet Security Benchmarks (CIS Benchmarks). Since the prior year audit, Transportation remediated two out of three control weaknesses. We communicated one remaining control weakness 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.

The Security Standard requires Transportation to implement certain security controls to safeguard systems that contain or process sensitive data. By not meeting the minimum requirements in the Security Standard and industry best practices, Transportation cannot ensure the confidentiality, integrity, and availability of data within its system.

Transportation did not follow its internal policies and procedures for securing one of its databases in accordance with the Security Standard and industry best practices, which led to the control weakness identified in the communication marked FOIAE. Transportation should take the actions recommended in the communication marked FOIAE to increase Transportation's security posture and help protect the confidentiality, integrity, and availability of sensitive and mission-critical data.

### **Conduct IT Risk Assessments and Update System Security Plans**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**First Reported:** Fiscal Year 2023

**Prior Title:** Conduct IT Risk Assessments and Develop System Security Plans

Transportation has made progress to complete its information technology (IT) risk management documentation in accordance with the Security Standard and the Commonwealth's IT Risk Management Standard, SEC520 (IT Risk Management Standard). Since the prior year audit, Transportation conducted risk assessments, security plans, and risk treatment plans for 11 of its 25 (44%) sensitive systems. Additionally, Transportation updated its system security plan template to include all the required elements of the Security Standard. However, the following weaknesses still exist:

- Transportation has not completed a risk assessment or associated risk treatment plan for five of its 25 (20%) sensitive systems. Additionally, Transportation has not conducted a risk assessment and completed an associated risk treatment plan for nine of its 25 (36%) sensitive

systems within the last three years, although it previously completed risk assessments for these systems between 2018 and 2021. Therefore, Transportation does not have a current risk assessment and/or associated risk treatment plan for 14 of its 25 (56%) sensitive systems. The Security Standard and IT Risk Management Standard require Transportation to conduct and document a risk assessment for each sensitive system no less than once every three years and conduct an annual self-assessment to determine the continued validity of its risk assessment. By not conducting risk assessments for sensitive systems in a timely manner, Transportation may not adequately identify risks for its sensitive systems or identify and implement appropriate security controls for its IT systems and environment to address those risks. Unaddressed system security risks can lead to a potential compromise of Transportation's sensitive information.

- Transportation has not developed or reviewed a system security plan (SSP) for five of its 25 (20%) sensitive systems. Additionally, Transportation has not developed or reviewed an SSP for nine of its 25 (36%) sensitive systems within the last three years, although it previously completed SSPs for these systems between 2018 and 2021. Therefore, Transportation does not have a current SSP for 14 of its 25 (56%) sensitive systems. Further, out of three SSPs eligible for annual review, Transportation did not review two to consider the impact of changes to the IT environment, as required. The Security Standard and IT Risk Management Standard require that Transportation develop an SSP for each information system based on the results of the risk assessment, including all existing and planned IT security controls for the system. The Security Standard also requires Transportation to review its SSPs at least on an annual basis and following an environmental change. Without developing and documenting SSPs for each sensitive system, Transportation cannot demonstrate that it has implemented proper information security controls to address system risks.

Transportation implemented a risk management documentation process in fiscal year 2024, which contributed to the progress Transportation made towards completing additional risk assessments and SSPs. However, Transportation has not completed risk assessments and SSPs for certain sensitive systems due to the high number of systems requiring evaluation and the resources required to complete each document.

Transportation should continue to conduct and document its risk assessment and associated risk treatment plan for each of its sensitive systems to identify risks and vulnerabilities. Transportation should also continue to develop and document SSPs with the security controls needed to address the identified risks. Additionally, Transportation should continue to conduct annual reviews and self-assessments of its risk assessments and SSPs as required by the Security Standard and IT Risk Management Standard. Implementing these actions will help protect the confidentiality, integrity, and availability of sensitive and mission-critical data.



Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

Decemeber 13, 2024

The Honorable Glenn Youngkin  
Governor of Virginia

Joint Legislative Audit  
and Review Commission

W. Sheppard "Shep" Miller, III  
Secretary of Transportation

Stephen C. Brich  
Commissioner, Department of Transportation

We have audited the financial records and operations of the **Virginia Department of Transportation** (Transportation) 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 Transportation's 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 accounting and financial reporting system, Transportation's accounting and reporting system, and supplemental information and attachments submitted to the Department of Accounts (Accounts); reviewed the adequacy of Transportation's internal control; tested for compliance with applicable laws, regulations, contracts, and grant

agreements; and reviewed corrective actions with respect to audit findings and recommendations from prior year reports.

**Audit Scope and Methodology**

Transportation’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 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:

- Accounts payable and expenses
- Accounts receivable and revenues
- Capital asset balances
- Cash and debt balances
- Commonwealth’s retirement benefits system
- Contract procurement and management
- Financial reporting
- Human resources
- Information security and general system controls (including access controls)
- Inventory
- Payroll and other expenses

We performed audit tests to determine whether Transportation’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 Transportation’s operations. We performed analytical procedures, including budgetary and trend analyses, and tested details of transactions to achieve our audit objectives. We also confirmed bank balances with outside parties.

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 certain deficiencies in internal control titled “Improve Offboarding Process,” “Improve Database Security,” and “Conduct IT Risk Assessments and Update System Security Plans,” which are described in the section titled “Internal Control and Compliance Findings and Recommendations,” that we consider to be significant deficiencies.

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 Transportation properly stated, in all material respects, the amounts recorded and reported in the Commonwealth’s accounting and financial reporting system, Transportation’s internal accounting and reporting system, and supplemental information and attachments submitted to Accounts.

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 titled “Internal Control and Compliance Findings and Recommendations.”

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

Since the findings noted above include those that have been identified as significant deficiencies, they 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](http://www.apa.virginia.gov) in February 2025.

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

We provided management of Transportation with a draft of this report for review on January 27, 2025. Government Auditing Standards require the auditor to perform limited procedures on Transportation's response to the findings identified in our audit, which is included in the accompanying section titled "Agency Response." Transportation's 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

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## FINDINGS SUMMARY

Finding Title	Status of Corrective Action*	First Reported for Fiscal Year
Continue Improving Service Provider Oversight	Complete	2021
Improve Change Control Process	Complete	2022
Upgrade End-of-Life Technology	Complete	2023
Improve Offboarding Process	Ongoing	2020
Improve Database Security	Ongoing	2023
Conduct IT Risk Assessments and Update System Security Plans	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

### DEPARTMENT OF TRANSPORTATION

Stephen C. Brich, P.E.  
Commissioner

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Richmond, Virginia 23219

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February 4, 2025

Ms. Staci Henshaw  
Auditor of Public Accounts  
Post Office Box 1295  
Richmond, Virginia 23219

Dear Ms. Henshaw:

The Department of Transportation appreciates the opportunity to respond to our audit report for Fiscal Year 2024. Below is the Department's response which should address the areas of concern:

#### **Improve Offboarding Process**

Transportation has implemented a human capital management system to automate the process for separation checklists. While there was improvement in this area over prior year results, Human Resources focused on improving system functionality and re-engineering our offboarding process to streamline certain tasks through system notifications. New and improved functionality was deployed on July 15, 2024, with agency-wide communications, required e-learning for supervisors and updated user guides to support the organization in managing these tasks more effectively. Based on our current reporting, we are seeing a fundamental shift in timely checklist completion status by supervisors. The Human Resource Division will continue to strive to improve the offboarding process.

#### **Improve Database Security**

Transportation understands the importance of securing sensitive infrastructure and have already secured the one database that was referenced in the audit report.

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Ms. Henshaw  
February 4, 2025  
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**Conduct IT Risk Assessments and Update System Security Plans**

Transportation will complete risk assessment and system security plan for sensitive systems by the end of FY2025. In addition, a new risk assessment policy will be developed and communicated statewide.

We appreciate the professionalism and guidance provided by your staff and look forward to working with you next year.

Sincerely,

A handwritten signature in blue ink, appearing to read "Stephen C. Brich".

Stephen C. Brich, P.E.  
Commissioner

c: The Honorable Sheppard Miller III  
Executive Staff