# VIRGINIA DEPARTMENT OF STATE POLICE

# AUDIT OF SELECT BUSINESS CYCLES FOR THE YEAR ENDED JUNE 30, 2020


Auditor of Public Accounts
Staci A. Henshaw, CPA
www.apa.virginia.gov
(804) 225-3350

## AUDIT SUMMARY

We audited the Department of State Police's (State Police) internal controls and compliance with applicable laws and regulations over change control management and information technology backup and restoration within the Information Technology Division; construction in progress within the Property and Finance Division; and employment eligibility, retirement census data and system access, and executive leave within the Human Resources Division for the fiscal year ended June 30, 2020. In addition, we followed up on prior audit findings related to these Divisions focusing on areas where State Police had implemented corrective action. We found:

- matters involving internal control and its operation necessary to bring to management's attention;

- 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 identified as resolved in the Findings Summary in the Appendix. State Police has not completed sufficient corrective action with respect to prior audit findings identified as repeat in the Findings Summary.

As our audit scope was limited to those areas described above and in the Audit Scope Overview and Findings by Audit Area section, this report only includes internal control and compliance matters we identified as related to the scope. We did not review management's corrective action on prior audit findings identified as deferred in the Findings Summary. We will follow up on these findings in a future audit.

# -TABLE OF CONTENTS-


| | Pages |
|---|---|
| AUDIT SUMMARY | |
| AUDIT SCOPE OVERVIEW AND FINDINGS BY AUDIT AREA | 1-15 |
| Information Technology Division | 2-4 |
| Property and Finance Division: | 4-13 |
| User Access | 4-6 |
| Commonwealth Accounting and Financial Reporting System Reconciliations | 6-7 |
| Capital Assets | 7-11 |
| Cash Management and Accounts Receivable | 11-13 |
| Human Resources Division | 13-15 |
| INDEPENDENT AUDITOR'S REPORT | 16-17 |
| APPENDIX: FINDINGS SUMMARY | 18-19 |
| AGENCY RESPONSE | 20 |
| AGENCY OFFICIALS | 21 |

## AUDIT SCOPE OVERVIEW AND FINDINGS BY AUDIT AREA

State Police provides services to the public, other law enforcement, and criminal justice agencies. It is organized into three bureaus: the Bureau of Criminal Investigation, the Bureau of Field Operations, and the Bureau of Administrative and Support Services (BASS). Several divisions make up BASS, including Information Technology (IT), Property and Finance, and Human Resources. We describe each of these areas in more detail below.

For our audit for the fiscal year ended June 30, 2020, we selected several prior audit findings where State Police implemented corrective action to perform follow up procedures related to the Information Technology, Property and Finance, and Human Resources Divisions. In addition, we performed additional procedures over select cycles within these divisions as detailed in the applicable sections below. Chart 1 below shows the results of our review summarizing the information presented in the Findings Summary found in the Appendix. We determined nine findings were resolved as corrective action was sufficient. We issued four new findings and eight repeat findings from prior audits where State Police's corrective action did not sufficiently remediate the prior deficiencies. We did not review management's corrective action over the 32 findings identified as deferred.

**Findings Summary by Follow Up Status**

Chart 1

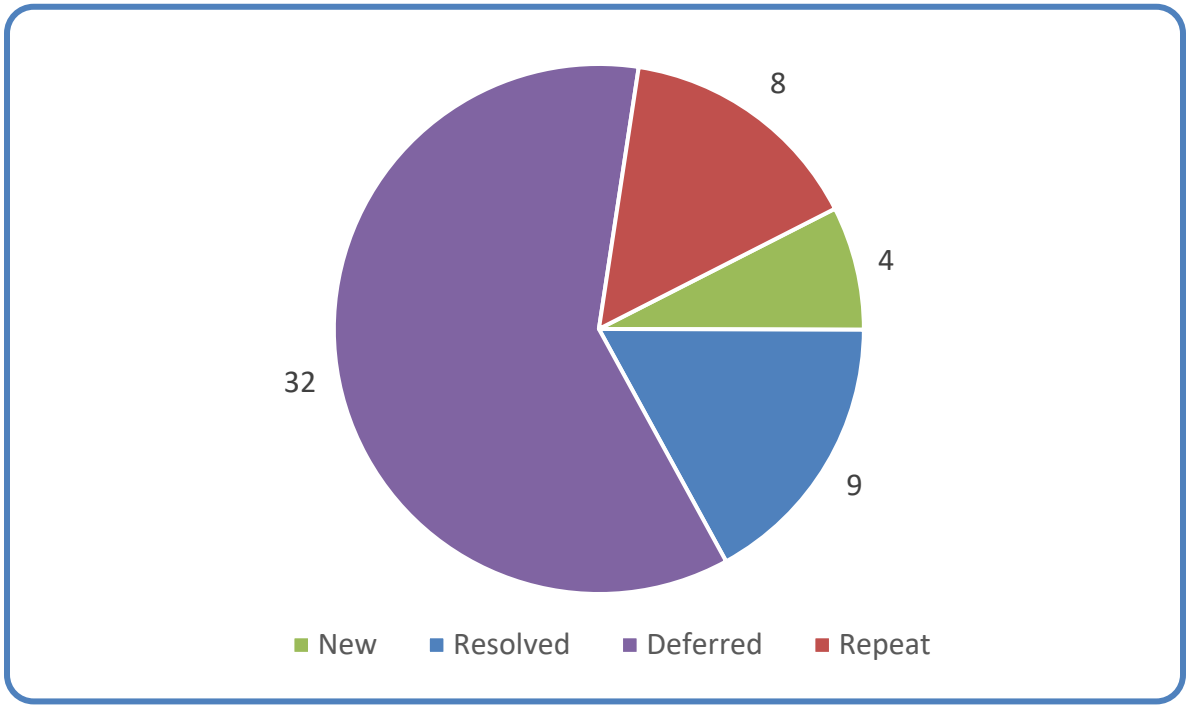
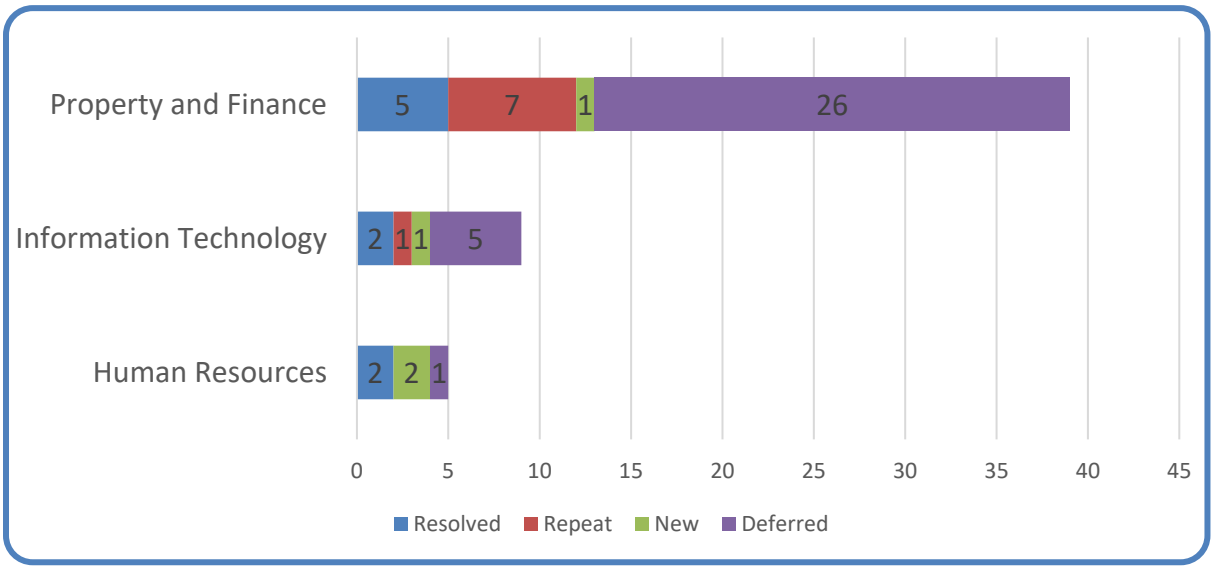



Chart 2 below shows a summary of all outstanding findings by division and status. In total, 44 findings remain outstanding and will be followed up on in future audits.

**Findings Summary by Division**

Chart 2




## INFORMATION TECHNOLOGY DIVISION

State Police's IT assets are vital to its mission and include systems that allow law enforcement to effectively coordinate, communicate, and support its financial and administrative operations. State Police has elected to exclude most of its IT assets from being managed by the Virginia Information Technologies Agency (VITA) and instead manages them internally. Despite managing IT assets internally, State Police must still adhere to the Commonwealth's security standards promulgated by VITA.

Our previous audit over IT controls in 2017 noted internal control weaknesses and noncompliance relative to the Commonwealth's security standards. As a result, we followed up on the findings where State Police implemented corrective action, including the business impact analysis and web application security findings. Additionally, we followed up on a finding that was first issued in 2013 and then reissued in 2017 related to end-of-life technology to determine State Police's status of addressing this prior finding.

We also reviewed internal controls surrounding change control management as State Police recently implemented an IT ticket system. Finally, we reviewed IT systems backup and restoration as the recovery process is a critical component of an IT environment.

## Information Technology Division Findings

**Continue to Upgrade and Replace End-of-Life Technology**

**Type:** Internal Control and Compliance
**Repeat:** Yes (first issued in fiscal year 2013)

State Police continues to use end-of-life and end-of-support (unsupported) software to operate its IT systems. State Police updated, replaced, or retired unsupported software on several IT systems since our last review; however, State Police still operates 15 mission essential IT systems with unsupported software. Some IT systems run more than one unsupported software. Unsupported software includes server operating systems and database management systems. For some software, support ended as early as 2014.

The Commonwealth's Information Security Standard, SEC 501 (Security Standard) Section SI-2-COV, prohibits the use of software products that the software publisher has designated as end-of-life or end-of-support. Using unsupported software to operate mission essential applications increases the risk that publicly identified vulnerabilities will persist in these systems without the potential for patching or mitigation. These unpatched vulnerabilities increase the risk of cyberattack, exploitation, and data breach by malicious parties. Additionally, some vendors do not offer operational and technical assistance for unsupported software, which increases the difficulty of restoring system functionality if a technical failure occurs.

State Police has plans to either migrate systems to a cloud platform, upgrade software, or decommission its unsupported software during 2021. According to State Police, significant turnover in IT personnel and unfilled positions contributed to the delay in addressing this finding.

State Police should continue to upgrade, replace, or decommission all unsupported software that operates on devices that support mission essential and critical applications. Completing corrective action will increase State Police's security posture and help to ensure the confidentiality, integrity, and availability of sensitive and mission critical data.

**Improve Backup and Recovery Policies and Procedures**

**Type:** Internal Control and Compliance
**Repeat:** No

State Police does not have documented backup and restoration plans that meet the requirements of the Security Standard for some of its sensitive systems. Additionally, State Police did not review the contractual language with the vendor who transports and stores back-up media off-site.

The Security Standard, Section CP-9-COV, requires agencies to document a backup and restoration plan that includes specific details for each sensitive system. This requirement also applies for applications that run on vendor hosted systems, for example, Software as a Service (SaaS), per the Commonwealth's Hosted Environment Information Security Standard, SEC 525. The Security Standard,

Section CP-9-COV (7), also requires agencies to address the "protection of any backup media that is sent off-site."

Organizations that do not have complete backup and restoration plans, including but not limited to contractual reviews, have an increased risk of information not being available should it need to be restored. Backup and restoration plans are particularly important as "ransomware" is a significant risk in today's IT threat landscape.

State Police attributed the lack of backup and restoration plans and contractual reviews to significant turnover in IT personnel and not being able to fill several positions. Additionally, State Police explained that responding to the demands of the COVID-19 pandemic impacted the completion of planned IT projects.

State Police should prioritize and complete backup and restoration plans for all sensitive systems and ensure that these documents contain all the information required by the Security Standard.

## PROPERTY AND FINANCE DIVISION

The Property and Finance Division (Property and Finance) oversees financial functions, fiscal duties, and property management. Specifically, Property and Finance oversees the management and maintenance of more than a hundred buildings and properties across the Commonwealth, as well as State Police accounting, budget, warehousing, procurement, supply distribution, and printing services. Within Finance, departments include accounts payable, accounts receivable, budget and the controller.

### *User Access*

Our prior audit noted deficiencies surrounding State Police's user access controls to remove terminated employee access timely for several financial systems, including the Commonwealth's lease accounting system, Commonwealth's capital asset system, and Commonwealth's purchasing system. As a result, we followed up on several internal control weaknesses related to user access where State Police implemented corrective action.

#### User Access Finding

**Ensure Timely Removal of Terminated Employee Access**

**Type:** Internal Control and Compliance
**Repeat:** Yes (first issued in fiscal year 2017)
**Prior Titles:** Timely Remove Terminated Employee Access to the Commonwealth's Lease Accounting System, Timely Remove Terminated Employee Access to the Commonwealth's Fixed Asset System, and Timely Remove Terminated Employee Access to the Commonwealth's Purchasing System

State Police did not ensure timely removal of terminated employee access to the Commonwealth's lease accounting system, capital asset system, and purchasing system during fiscal year 2020. Our testwork found:

- Property and Finance did not notify the Department of Accounts (Accounts) to remove access to the lease accounting system for one terminated employee. Accounts informed Property and Finance that the separated employee retained access 2 months after separation from the agency at which time Accounts deprovisioned the employee's access.

- Property and Finance did not notify Accounts to remove access to the capital asset accounting system for an employee until two weeks after their separation date due to the employee utilizing their remaining leave balance; however, access should be removed no later than the official separation date in the employee's personnel file.

- Property and Finance did not remove access to the purchasing system for one employee until six months following their separation.

The lease accounting system and capital asset system access request forms require State Police to maintain internal controls over access to prevent unauthorized access to the systems. Additionally, the Commonwealth's Electronic Procurement System Security Standards Section 2.10 requires that agencies deactivate access to the system when the requirement for access no longer exists. Since the purchasing system is a web-based application accessible from anywhere, removing a user from the entity's network is not sufficient. Further, the Security Standard, Section PS-4, states an organization must disable information system access within 24 hours of employee separation and terminate any authenticators or credentials associated with the individual.

Section AC-1 of the Security Standard requires an access control policy and procedures to facilitate the implementation of the access control policy and associated access controls. State Police continues to lack a formal user access control policy and procedures, which includes the process for deactivating terminated employee accounts timely from all systems. We previously addressed user access policy and procedure deficiencies in the recommendation entitled "Strengthen User Access Policies and Procedures" issued in 2017. Currently, Property and Finance is in the process of implementing corrective action for this recommendation as the division continues to have key vacancies that prevent the resources needed to address the issue of updating all policies and procedures. Property and Finance states these positions are in recruitment and division management is working to allocate resources to this effort. Without a formal user access policy and procedures, it is likely that terminated employees will continue to have unnecessary access to systems. Delays in deleting access increases the risk of unauthorized use of the Commonwealth's systems, which could result in unauthorized changes and impaired data integrity.

Property and Finance should work with the IT division to develop and implement a formal user access control policy and procedures, which includes deactivating employee accounts timely for the Commonwealth's purchasing system and notifying Accounts timely when an employee terminates and

access should be deactivated to the Commonwealth's lease accounting system and Commonwealth's capital asset system.

### *Commonwealth Accounting and Financial Reporting System Reconciliations*

Our prior audit noted deficiencies in the controls surrounding State Police's reconciliations of the Commonwealth's accounting and financial reporting system. We followed up on this internal control weakness as State Police implemented corrective action.

## Commonwealth Accounting and Financial Reporting System Reconciliations Finding

**Ensure Reconciliation Policies and Procedures Meet CAPP Manual Requirements**
**Type:** Internal Control
**Repeat**: Yes (first issued in fiscal year 2017)
**Prior Title:** Document Detailed Reconciliation Policies and Procedures

Property and Finance continues to lack sufficiently documented reconciliation policies and procedures that allow Property and Finance to meet reconciliation requirements. Current desk procedures do not address:

- the requirement to perform all reconciliations required by Accounts;
- the preparer and reviewer's responsibilities to sign and date reconciliations when they are complete;
- the agency head or designee's responsibility to certify reconciliations; or,
- the timing of when preparers should complete the reconciliations in order to submit them timely to Accounts.

The Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 20905 states agencies should have detailed, written policies and procedures for meeting all reconciliation requirements, including documentation of who holds responsibility for reconciliation activity. While the CAPP Manual provides guidance to agencies, it does not eliminate the need and requirement for Property and Finance to publish its own internal policies and procedures that are approved in writing by management. Without detailed policies and procedures, there is an increased risk that Property and Finance will not properly perform reconciliations.

Property and Finance developed new desk procedures for performing reconciliations; however, the new procedures do not sufficiently address all items required by CAPP Manual Topic 20905. The lack of adequate policies and procedures prevented Property and Finance from performing reconciliations in accordance with the CAPP Manual. Property and Finance did not maintain documentation for all required reconciliations, including appropriations and allotments. Additionally, the reconciliations did not document how Property and Finance addressed all variances. CAPP Manual Topic 20905 requires

that all reconciling items be specifically and completely identified and corrected at the transaction level before the reconciliation can be certified as complete.

Property and Finance should ensure reconciliation policies and procedures meet CAPP Manual Topic 20905 requirements and should perform all required reconciliations in accordance with CAPP Manual requirements.

### *Capital Assets*

State Police uses the Commonwealth's capital asset system to account for its capital and controllable assets and employs other internal systems to help track asset locations to facilitate required inventories. State Police follows the CAPP Manual and agency procedures relative to asset capitalization threshold, useful lives, asset additions, monitoring, and deletions. Table 1 below presents the categories and balances of its capital assets.

**Capital Assets**

Table 1

| Category | Description | Balance | Net Balance |
|---|---|---|---|
| Land | Land associated with buildings | | $ 442,082 |
| Construction in Progress | Radio system | | 40,974,687 |
| Buildings | Driver's training facility, headquarters, academy, area offices | $ 95,712,925 | |
| *Less Depreciation* | | (29,438,666) | |
| Net Building | | | 66,274,259 |
| Infrastructure | Towers, antennas for radio system, software | 122,948,404 | |
| *Less Depreciation* | | (40,723,782) | |
| Net Infrastructure | | | 82,224,622 |
| Equipment | Vehicles, computers, radios, weapons | 407,770,569 | |
| *Less Depreciation* | | (207,839,515) | |
| Net Equipment | | | 199,931,054 |
| Total | | | $389,846,704 |

Source: Commonwealth's accounting and financial reporting system

Our previous audit over capital asset controls in 2017 noted internal control weaknesses related to capital asset reconciliations, policies and procedures, inventories, and disposals, as well as the processes for capitalizing capital assets and estimating salvage values and useful lives. For the fiscal year ended June 30, 2020, State Police's capital asset balances totaled $390 million. Given the significance of these assets and the lack of controls cited previously, we included capital assets in the scope of the audit. Specifically, we followed up on the internal control weaknesses where State Police implemented

corrective action. We also reviewed the controls surrounding construction in progress as this asset balance represents more than ten percent of State Police's total capital assets.

## Capital Asset Findings

**Align Capital Asset Accounting Policies with Code of Virginia and CAPP Manual**
**Type:** Internal Control
**Repeat**: Partial (first issued in fiscal year 2013)
**Prior Title:** Align Fixed Asset Accounting Policies with Code of Virginia and CAPP Manual

Property and Finance continues to lack the necessary detail in its internal policies and procedures to ensure its internal control structure follows CAPP Manual requirements. Property and Finance omitted key internal controls from its capital asset accounting policies and procedures including procedures to ensure it acquires all assets using an acceptable acquisition method, records acquisitions timely, and accounts for acquisitions properly. Specific omissions include:

*Non-Purchased Assets*

State Police's policies and procedures do not address how it capitalizes donated or seized assets, including valuing such assets or how departments should alert Property and Finance of their existence.

*Salvage Values*

State Police's policies and procedures do not provide guidance for estimating salvage values based on the type of asset, its obsolescence, the degree of usefulness at disposal, or the nature of the disposal process.

The absence of adequate written policies and procedures increases the risk that State Police will not properly account for capital assets or comply with Code of Virginia requirements. Property and Finance has addressed some of the concerns specifically listed the 2017 finding entitled "Align Fixed Asset Accounting Policies with Code of Virginia and CAPP Manual Best Practices," but has not addressed all prior omissions, in part due to turnover in the Fixed Asset Department.

Property and Finance should review the CAPP Manual and revise its policies and procedures to ensure its internal control structure considers CAPP Manual requirements. Additionally, Property and Finance should design and communicate a process by which receiving divisions can notify Property and Finance of seized or gifted assets. Property and Finance should document this process and establish a basis for capitalizing relevant donated and seized assets. Finally, Property and Finance should regularly review and update its capital asset policies and procedures to ensure that they remain up-to-date and reflect changes to State Police's environment and operations.

**Complete Capital Asset Physical Inventories in Accordance with CAPP Manual Guidelines**

**Type:** Internal Control

**Repeat:** Partial (first issued in fiscal year 2013)

**Prior Title:** Complete Fixed Assets Physical Inventories

State Police continues to lack the necessary controls to ensure the agency performs required physical inventories over capital assets. State Police hired a contractor who completed a physical inventory of its capital assets in April 2020; however, the inventory performed by the contractor did not comply with CAPP Manual requirements due to a lack of agency resources and oversight over the process. Specific errors with the contractor's inventory include:

*Inventory Methodology*

CAPP Manual Topic 30505 requires a physical inventory procedure to be conducted at least once every two years. Agencies may conduct a wall-to-wall physical inventory of all assets recorded in the Commonwealth's capital asset system or utilize a generally accepted method of statistical sampling. Each item selected via the chosen methodology must be physically inspected for changes in condition and availability. For the inventory performed in April 2020, the contractor did not use one of these methods to conduct the inventory. Physical inventories provide valuable feedback regarding which assets are physically in the agency's possession and are currently in use. Inaccurate inventory records increase the risk that State Police will not detect asset theft or loss.

*Resolution of Discrepancies*

CAPP Manual Topic 30505 requires agencies resolve discrepancies between recorded and actual inventories in a timely manner. State Police did not resolve all discrepancies identified by its contractor. As State Police's capital assets are reported in the Commonwealth's Annual Comprehensive Financial Report (ACFR), failure to resolve discrepancies in compliance with CAPP Manual guidelines may result in inaccurate information reported in the Commonwealth's financial statements.

The contractor noted several difficulties in completing the inventory, including State Police's capital assets being diverse, mobile, and geographically dispersed across the Commonwealth. Despite the challenges the agency faces in correcting its records in the Commonwealth's capital asset system, State Police has shown progress in improving controls surrounding physical inventories by hiring a contractor to perform an inventory in April 2020. State Police should continue to develop and implement its internal physical inventory process to ensure compliance with CAPP Manual requirements.

**Update the Commonwealth's Capital Asset System to Reflect Asset Disposals**

**Type:** Internal Control
**Repeat:** Yes (first issued in fiscal year 2013)
**Prior Title:** Update the Commonwealth's Fixed Asset System to Reflect Asset Disposals

Property and Finance continues to lack an effective process for recognizing disposals of all capital assets in the Commonwealth's capital asset system. Property and Finance updates the Commonwealth's capital asset system for the disposal of automobiles sold at auctions; however, they do not update the Commonwealth's capital asset system for the disposal of other assets, including nonautomotive vehicles and automobiles not sold at auctions.

CAPP Manual Topic 30805 requires agencies to adopt policies and procedures to update the Commonwealth's capital asset system when assets are sold, abandoned, lost/stolen, transferred out, cannibalized, or otherwise disposed of. Not updating records for all disposed assets prohibits the Fixed Asset Accountant from completing accurate physical inventories and makes the process more complex and inefficient. We have addressed physical inventory deficiencies in the recommendation entitled "Complete Capital Asset Physical Inventories in Compliance with CAPP Manual Guidelines." Additionally, since the Commonwealth's ACFR reports capital asset values included in the Commonwealth's capital asset system, failing to remove assets that no longer exist could affect the accuracy of the ACFR.

Property and Finance's current non-vehicle asset disposal processes are inadequate. Property and Finance has developed a new disposal process in "General Order ADM 18.04," but has not finalized or distributed the policy. Since the new disposal process remains undistributed, it is unlikely that employees across the agency are aware of their responsibility for communicating asset disposals to the Fixed Assets Department.

Property and Finance should implement and communicate an agency-wide policy to facilitate the accurate recordation of capital asset disposals in the Commonwealth's capital asset system.

**Maintain and Reconcile a Construction in Progress Schedule in Accordance with CAPP Manual Requirements**

**Type:** Internal Control
**Repeat:** No

State Police does not quarterly reconcile its construction in progress schedules to the schedule of changes in construction in progress by agency and project. Furthermore, State Police does not always assign a unique project number to the projects included in its schedules.

CAPP Manual Topic 30310 requires agencies to maintain a comprehensive construction in progress spreadsheet into which the agency should enter each invoice for every project. Agencies must also quarterly reconcile this comprehensive spreadsheet to the Commonwealth's capital asset system via the schedule of changes in construction in progress by agency and project.

State Police's policies and procedures do not address the requirement to maintain and reconcile a construction in progress schedule. The omission of unique project numbers from State Police's construction in progress schedules and the failure to reconcile the schedules both increase the likelihood of errors in the Commonwealth's capital asset system.

State Police should review the CAPP Manual and revise its policies and procedures to ensure they adequately document the requirements to maintain and reconcile a construction in progress schedule. State Police should then maintain and quarterly reconcile a construction in progress schedule in accordance with CAPP manual requirements.

### *Cash Management and Accounts Receivable*

State Police receives revenue from general fund appropriations, federal grants, and fees from items such as state inspection stickers, criminal record inquiries, central registry searches, concealed weapon permits, and firearm dealers. The agency's collection efforts over outstanding accounts receivable affect the funds available for agency operations.

In our prior audit, we cited deficiencies in State Police's documentation of Department of Treasury (Treasury) loan policies and procedures, accounts receivable procedures, accounts receivable tracking, and accounts receivable collection process. We followed up on the findings where State Police implemented corrective action.

### Cash Management and Accounts Receivable Findings

**Align Internal Policies and Procedures with the Virginia Debt Collection Act and Commonwealth Accounting Policies and Procedures**

**Type:** Internal Control and Compliance
**Repeat:** Yes (first issued in fiscal year 2017)

Property and Finance does not have accounts receivable policies or desk procedures that are consistent with requirements and recommended collection procedures outlined in the Virginia Debt Collection Act (Debt Collection Act) and the CAPP Manual. The existing desk procedures do not address:

- how Property and Finance uses garnishments, liens, collection agencies, or credit reporting bureaus as a means of collecting receivables;
- collection efforts when debtors make periodic payments or set up payment plans;
- charging interest or fees on past due accounts;
- the process for considering a debt of the Commonwealth to be discharged;
- delaying or withholding certain state services to those persons who refuse to pay their debts; or

- recording an allowance for doubtful accounts to reflect the amount of the agency's receivables that management estimates will be uncollectible.

The Debt Collection Act, Code of Virginia § 2.2-4800, requires agencies to develop internal policies and procedures for the management and collection of accounts receivable that are in accordance with regulations in the CAPP Manual. Additionally, CAPP Manual Topic 20505 states agencies are responsible for developing and implementing policies and procedures that adhere to the collection policies and guidelines established by Accounts and the Division of Debt Collection of the Office of the Attorney General.

Without policies and procedures that are consistent with the Debt Collection Act and CAPP Manual, Property and Finance may not take appropriate and cost-effective action to collect aggressively all accounts receivables. Property and Finance has not updated internal desk procedures in accordance with the Debt Collection Act and CAPP Manual, nor do they have a process to ensure that internal policies and procedures align with the Debt Collection Act and CAPP Manual.

Property and Finance should update desk procedures to align with the requirements and recommendations outlined in the Debt Collection Act and the CAPP Manual. If Property and Finance does not implement certain processes, it should document that within its policies and procedures along with an explanation stating why it does not implement the process.

**Improve Accounts Receivable Collection Process**
**Type:** Internal Control and Compliance
**Repeat:** Yes (first issued in fiscal year 2017)

State Police's Accounts Receivable Department continues to lack adequate collection processes to ensure that the agency collects past due accounts. Our review of the collection efforts performed during fiscal year 2020 revealed there was no documentation to show that the Accounts Receivable Department:

- sent dunning letters to debtors after the account reached 30 days past due;
- set up payment plans with the debtor through a promissory note to secure payment;
- reported receivables over 59 days past due to the respective credit reporting agencies;
- referred past due accounts to the Office of the Attorney General or private collection agencies; or
- referred past due accounts to the debt set-off program in a timely manner.

The Debt Collection Act, Code of Virginia § 2.2-4806, requires agencies to take appropriate and cost-effective actions to aggressively collect accounts receivable. The Debt Collection Act outlines

collection efforts for past due accounts. In addition, CAPP Manual Topic 20505 includes suggested collection guidelines based on the age and amount of the past due accounts. Without taking appropriate and cost-effective actions, State Police is not collecting on amounts owed to the agency.

The Accounts Receivable Department's internal policies and procedures do not align with the Debt Collection Act. We have addressed deficiencies related to State Police's internal policies and procedures in the finding entitled "Align Internal Policies and Procedures with the Virginia Debt Collection Act and Commonwealth Accounting Policies and Procedures." Furthermore, the Accounts Receivable Department faced significant turnover and is utilizing contractors to perform essential job functions, but the department has not been able to fully coordinate the workload left by separated employees.

In addition to updating the desk procedures and internal policies as recommended in the finding entitled "Align Internal Policies and Procedures with the Virginia Debt Collection Act and Commonwealth Accounting Policies and Procedures," the Accounts Receivable Department should assign all job duties related to debt collections within the department to ensure the agency is taking appropriate and cost-effective actions to aggressively collect accounts receivable. Additionally, Accounts Receivable should maintain adequate documentation of collection efforts performed for all receivables.

## HUMAN RESOURCES DIVISION

The Human Resources Division (Human Resources) provides State Police with a centralized human resource program covering employment practices, benefits, compensation, and background investigations. One of the responsibilities of Human Resources is to implement processes and internal controls to ensure the agency's adherence to federal employment eligibility requirements. Given that we have not previously audited the agency's internal controls and compliance with federal employment eligibility requirements, we included it in the scope of our audit.

The Virginia Retirement System (the System) relies on employers to submit accurate information and to maintain verification that information submitted is correct and properly supported. The System administers four pension trust funds, two of which are the State Police Officers' Retirement System (SPORS) and the Virginia Law Officers' Retirement System (VaLORS). SPORS provides retirement benefits to Virginia state police officers and VaLORS provides retirement benefits to correctional officers, capital police officers, university police officers, and game wardens. Human Resources maintains personnel records that support the information submitted to the System. In support of the Auditor of Public Accounts' audit of the System, we included procedures in the scope of the audit to examine State Police's compliance with requirements to review and certify employee census data, as well as the controls surrounding access to the retirement benefits system.

Additionally, we reviewed controls surrounding the Executive Leave Policy for "at-will" employees to ensure the agency has appropriate controls in place to maintain compliance with certain provisions of the executive leave policy established by the Commonwealth's Department of Human Resource Management.

Finally, our prior audit noted deficiencies in State Police's controls over reconciling data in the Commonwealth's retirement benefits system and compliance with the State and Local Government Conflict of Interests Act (COIA). We followed up on these internal control weaknesses and instances of noncompliance as State Police implemented corrective action.

## Human Resources Findings

**Comply with Employment Eligibility Requirements**

**Type:** Compliance
**Repeat:** No

Human Resources did not comply with all employment eligibility requirements. For 17 out of 24 employees (70%), Human Resources did not ensure the employee completed Section 1 of the Form I-9 as of the first day of employment. Additionally, for ten out of 23 employees (43%), Human Resources did not ensure the employee completed the preparer and/or translator certification on the Form I-9 Section 1.

The Immigration Reform and Control Act of 1986 requires that all employers complete a Form I-9 to verify both identity and employment eligibility for all employees hired after November 6, 1986. The U.S Citizenship and Immigration Services (USCIS) prescribes federal requirements for completing the Form I-9 in the M-274 Handbook for Employers (the Handbook). Chapter 3 of the Handbook requires the employee to complete and sign Section 1 of the Form I-9 by the first date of employment. Additionally, Chapter 3 states employers are responsible for reviewing the information and ensuring employees fully and properly complete Section 1. Not complying with federal and state statutes could result in substantial civil and/or criminal penalties, including monetary fines, and debarment from government contracts.

Human Resources was misinformed of the requirement to ensure employees complete Section 1 of the Form I-9 by the first day of employment. Specifically, Human Resources personnel did not realize that the first day of employment on the Form I-9 must agree to the date as stated on the employment offer letter and agency payroll records. Additionally, Human Resources did not perform a sufficient review over employment eligibility documentation to ensure forms were fully and properly completed as it relates to the preparer and/or translator certification in Section 1.

Human Resources should continue to communicate Form I-9 requirements and provide adequate training to Human Resources personnel responsible for Form I-9 completion to reinforce the expectation of compliance with the applicable federal requirements. In addition, Human Resources should perform an adequate review of the Form I-9 to ensure accurate completion and compliance with federal statutes and regulations.

**Improve User Access Controls to the Retirement Benefits System**

**Type:** Internal Control

**Repeat:** No

State Police does not have adequate controls in place to ensure that system access to the Commonwealth's retirement benefits system is appropriate. Human Resources did not remove access for two out of eight employees (25%) who separated from the agency or transferred internally and no longer required their previous access. Additionally, for three of the six employees (50%) whose access was removed, Human Resources did not remove access within 24 hours of the separation or internal transfer. Finally, the agency did not assign a managerial access role for a month after an employee separated and did not have documentation detailing how the responsibilities associated with that access should be performed in the interim.

The Security Standard, Section PS-4, states an organization must disable information system access within 24 hours of employee separation and terminate any authenticators or credentials associated with the individual. Delays in deleting access increase the risk of unauthorized use of the Commonwealth's retirement benefits system which could result in unauthorized changes and could impair data integrity.

Human Resources lacks thoroughly documented and implemented policies and procedures to ensure adequate controls in place surrounding access to the Commonwealth's retirement benefits system. Human Resources should develop detailed policies and procedures for managing access to the Commonwealth's retirement benefits system.

Commonwealth of Virginia

*Auditor of Public Accounts*

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

August 27, 2021

The Honorable Ralph S. Northam
Governor of Virginia

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

We have audited select cycles for the year ended June 30, 2020, at the **Department of State Police** (State Police) including change control management and information technology backup and restoration within the Information Technology Division; construction in progress within the Property and Finance Division; and employment eligibility, retirement census data and system access, and executive leave within the Human Resources Division. In addition, we followed up on prior audit findings related to these Divisions focusing on areas where State Police had implemented corrective action. 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 cycles listed above were to review the adequacy of State Police's internal controls and test compliance with applicable laws, regulations, contracts, and grant agreements. We also reviewed corrective actions for select audit findings from the prior audit reports. See the Findings Summary included in the Appendix for a listing of prior audit findings and the status of follow-up on management's corrective action. We will follow up on findings not reviewed in a future audit.

## Audit Methodology

State Police'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, 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 State Police'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 as they pertain to our audit objectives.

Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of State Police's operations. We performed selected 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.

**Conclusions**

We noted certain matters pertaining to information technology, user access, reconciliations, capital assets, accounts receivable, and employment eligibility, 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 Scope Overview and Findings by Audit Area."

State Police has taken adequate corrective action with respect to select audit findings reported in prior audits that are listed as resolved in the Findings Summary in the Appendix. Prior audit findings included in the scope of the audit where corrective action is still ongoing are listed as repeat in the Findings Summary and included in the section entitled "Audit Scope Overview and Findings by Audit Area."

**Exit Conference and Report Distribution**

We discussed this report with management on November 16, 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 citizens of the Commonwealth of Virginia and is a public record.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

DLR/clj

## FINDINGS SUMMARY

| Finding | Follow Up Status | Year(s) Issued |
|---|---|---|
| **Information Technology** | | |
| Continue to Improve Web Application Security | Resolved | 2013, 2017 |
| Improve Business Impact Analysis | Resolved | 2017 |
| Continue to Upgrade and Replace End-of-Life Technology | Repeat* | 2013, 2017, 2020 |
| Improve Backup and Recovery Policies and Procedures | New | 2020 |
| Align Information Technology Security Audits with Current Sensitive Systems | Deferred** | 2017 |
| Perform Information Technology Security Audits | Deferred** | 2017 |
| Improve Disaster Recovery Plan | Deferred** | 2017 |
| Improve Risk Assessments | Deferred** | 2017 |
| Obtain, Review, and Document Service Organization Control Reports of Third-Party Service Providers | Deferred** | 2017 |
| **Property and Finance** | | |
| Adequately Document Fixed Asset Reconciliations | Resolved | 2013, 2017 |
| Capitalize Fixed Assets in Accordance with Commonwealth and State Police Policy | Resolved | 2017 |
| Develop a Method for Estimating Salvage Value | Resolved | 2017 |
| Develop a Methodology for Estimating Useful Lives | Resolved | 2017 |
| Document Treasury Loan Policies and Procedures | Resolved | 2017 |
| Ensure Timely Removal of Terminated Employee Access | Repeat* | 2017, 2020 |
| Ensure Reconciliation Policies and Procedures Meet CAPP Manual Requirements | Repeat* | 2017, 2020 |
| Align Capital Asset Accounting Policies with Code of Virginia and CAPP Manual | Repeat* | 2013, 2017, 2020 |
| Complete Capital Asset Physical Inventories in Accordance with CAPP Manual Guidelines | Repeat* | 2013, 2017, 2020 |
| Update the Commonwealth's Capital Assets System to Reflect Asset Disposals | Repeat* | 2013, 2017, 2020 |
| Align Internal Policies and Procedures with the Virginia Debt Collection Act and Commonwealth Accounting Policies and Procedures | Repeat* | 2017, 2020 |
| Improve Accounts Receivable Collection Process | Repeat* | 2017, 2020 |
| Maintain and Reconcile a Construction in Progress Schedule in Accordance with CAPP Manual Requirements | New | 2020 |
| Perform Purchase Card Program Administrator Responsibilities | Deferred** | 2013, 2017 |
| Align Internal Purchase Card Policies with CAPP Manual Best Practices | Deferred** | 2017 |
| Complete Cardholder and Supervisor Training Annually | Deferred** | 2017 |

| Finding | Follow Up Status | Year(s) Issued |
|---|---|---|
| **Property and Finance cont.** | | |
| Complete Purchase Card Reconciliations Timely | Deferred** | 2017 |
| Retain Adequate Documentation to Support Purchase Card Program | Deferred** | 2017 |
| Perform Contract Management Responsibilities | Deferred** | 2017 |
| Publish Updated Internal Procurement Policies and Procedures Manual | Deferred** | 2017 |
| Improve Documentation of Sole Source Contract Procurements | Deferred** | 2017 |
| Designate Contract Administrator and their Responsibilities in Writing | Deferred** | 2018 |
| Document Contractor Payment Tracking and Performance Evaluations | Deferred** | 2018 |
| Establish and Maintain a Term Contract Listing | Deferred** | 2018 |
| Strengthen User Access Policies and Procedures | Deferred** | 2013, 2017 |
| Deactivate Access to the Commonwealth's Purchasing System | Deferred** | 2017 |
| Enter Assets into the Commonwealth's Capital Asset System in a Timely Manner | Deferred** | 2017 |
| Improve Accounts Receivable Tracking Process | Deferred** | 2017 |
| Improve Processes over Work Zone Project Billings | Deferred** | 2013, 2017 |
| Submit Indirect Cost Rate Proposals Timely | Deferred** | 2017 |
| Evaluate and Document Revenue Processes | Deferred** | 2018 |
| Evaluate Fees and Revenues to Ensure Proper Account Coding | Deferred** | 2018 |
| Implement Segregation of Duties over Deposit Processes | Deferred** | 2018 |
| Improve Internal Controls over Grant Expenditures | Deferred** | 2018 |
| Improve Monthly Certification over Grant Expenditures | Deferred** | 2018 |
| Process and Record Deposits Timely | Deferred** | 2018 |
| Ensure Compliance with Prompt Pay | Deferred** | 2018 |
| Create and Implement Internal Controls over Reconciliations | Deferred** | 2018 |
| Document Internal Policies and Procedures | Deferred** | 2018 |
| **Human Resources** | | |
| Confirm Retirement Contribution Snapshots Timely | Resolved | 2017 |
| Create Policies and Procedures for Statement of Economic Interest Filing and Training Requirements | Resolved | 2018 |
| Comply with Employment Eligibility Requirements | New | 2020 |
| Improve User Access Controls to the Retirement Benefits System | New | 2020 |
| Document Retirement Benefits System Reconciliations | Deferred** | 2017 |

*Follow-up Status on prior audit findings identified as "Repeat" indicates sufficient corrective action on a prior recommendation is not complete; therefore, the prior audit finding has been fully or partially repeated.

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

Colonel Gary T. Settle
Superintendent

(804) 674-2000

# COMMONWEALTH OF VIRGINIA

## DEPARTMENT OF STATE POLICE

P. O. Box 27472, Richmond, VA 23261-7472

Lt. Colonel Tracy S. Russillo
Deputy Superintendent

November 17, 2021

Ms. Staci Henshaw, CPA
Auditor of Public Accounts
P. 0. Box 1295
Richmond, Virginia 23218

Dear Ms. Henshaw:

We appreciate the opportunity to review the Department of State Police's Audit of Select Business Cycles for the Fiscal Year ended June 30, 2020. Thank you for the recommendations on our financial accounting and control operations, as well as the professionalism of your staff throughout the engagement. We have discussed with your staff the specific items mentioned in the report throughout the course of your review.

We will prepare a formal Corrective Action Workplan to address the report findings as required by the CAPP Manual Topic 10205. We will track the progress through completion of the internal desk procedures and auditable documentation to strengthen the internal controls safeguarding Commonwealth assets. As discussed with your staff, we have already realigned staff and implemented some automation within our accounts receivable area to strengthen policies and procedures to be compliant with applicable laws and regulations. We are committed to ensuring the full implementation of the recommendations documented in the report in a timely manner.

We give your comments the highest level of consideration as we continue to improve our practices and compliance with the Commonwealth's fiscal policies, regulations, laws, and security standards. We remain committed to focusing staff and resources prudently as we execute the Department's Public Safety mission.

Sincerely,

Gary T. Settle

Superintendent

GTS/DMM/agp

Enclosure

## VIRGINIA DEPARTMENT OF STATE POLICE

As of June 30, 2020

Brian J. Moran
Secretary of Public Safety and Homeland Security

Colonel Gary T. Settle
Superintendent

Lieutenant Colonel Tracy S. Russillo
Deputy Superintendent

Lieutenant Colonel Kirk S. Marlowe
Director of Bureau of Administrative and Support Services

Captain Eric W. Gowin
Information Technology Division Commander

Captain Todd G. Garrett
Property and Finance Division Commander

Captain Jeremy S. Kaplan
Human Resources Division Commander