



VIRGINIA CORRECTIONAL ENTERPRISES

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF FEBRUARY 2023

Auditor of Public Accounts
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Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
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May 25, 2023

Marie Vargo, Chief Executive Officer
Virginia Correctional Enterprises
8030 Whitebark Terrace
North Chesterfield, VA 23237

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Virginia Correctional Enterprises** (Correctional Enterprises). We completed the review on February 14, 2023. The purpose of this review was to evaluate if the agency has developed adequate internal controls over significant organizational areas and activities and not to express an opinion on the effectiveness of internal controls. Management of Correctional Enterprises is responsible for establishing and maintaining an effective control environment.

Correctional Enterprises is part of the Virginia Department of Corrections (Corrections), and Corrections' employees perform some administrative processes for Correctional Enterprises. During this review we focused only on processes that Correctional Enterprises' employees perform.

Review Process

During the review, the agency completes an Internal Control Questionnaire that covers significant organizational areas and activities including payroll and human resources; revenues and expenses; procurement and contract management; capital assets; grants management; debt; and information technology and security. The questionnaire focuses on key controls over these areas and activities.

We review the agency responses and supporting documentation to determine the nature, timing, and extent of additional procedures. The nature, timing, and extent of the procedures selected depend on our judgment in assessing the likelihood that the controls may fail to prevent and/or detect events that could prevent the achievement of the control objectives. The procedures performed target risks or business functions deemed significant and involve reviewing internal policies and procedures. Depending on the results of our initial procedures, we may perform additional procedures including reviewing evidence to ascertain that select transactions are executed in accordance with the policies and procedures and conducting inquiries with management. The "Review Procedures" section below details the procedures performed for Correctional Enterprises. The results of this review will be included within our risk analysis process for the upcoming year in determining which agencies we will audit.

Review Procedures

We evaluated the agency's corrective action for all prior review findings except the finding related to reconciling data for the human resources system, as Corrections performs this process. The agency has taken adequate corrective action with respect to review findings reported in the prior review conducted in 2020 that are not repeated in the "Review Results" section below. We reviewed a selection of system and transaction reconciliations in order to gain assurance that the statewide accounting system contains accurate data. Further, we evaluated Correctional Enterprises' process of completing and submitting attachments to Accounts.

We reviewed the Internal Control Questionnaire and supporting documentation detailing policies and procedures. As a result of our review, we performed additional procedures over the following areas: revenues and expenses, and information technology and security. These procedures included validating the existence of certain transactions; observing controls to determine if the controls are effectively designed and implemented; reviewing transactions for compliance with internal and Commonwealth policies and procedures; and conducting a review over management's risk assessment process.

As a result of these procedures, we noted areas that require management's attention. These areas are detailed in the "Review Results" section below.

Review Results

We noted the following areas requiring management's attention resulting from our review:

- **Repeat** - Correctional Enterprises removed information system access for a separated employee 106 days after the individual's last day of employment. The Commonwealth's Information Security Standard, SEC 501 (Security Standard), Section PP4, requires the disabling of information system access within 24 hours of the employee's last day. Correctional Enterprises should prioritize timely removal of terminated employee system access.
- **Partial Repeat** - Correctional Enterprises is not documenting an annual system access review for their employees. Section AC-2 of the Security Standard requires the organization to monitor the use of information system accounts. Additionally, Section AC-6 requires the organization to review on an annual basis the privileges assigned to all users to validate the need for such privileges and reassign or remove privileges, if necessary, to correctly reflect organization mission/business needs. Correctional Enterprises should document their annual review of system access with evidence of employees' supervisor review. This review should include reviewing accounts that employees have not used for an extended period of time to determine if access should be disabled.
- **Partial Repeat** - Correctional Enterprises has policies and procedures over several business areas; however, we identified an opportunity to improve policies and procedures and communication related to functions that Correctional Enterprises staff share with Corrections

staff. Correctional Enterprises is part of Corrections but does have some business processes that are unique to Correctional Enterprises. In addition, Correctional Enterprises staff perform some functions such as information technology and human resources, but Corrections staff now supervise these positions. During our review there was some confusion among Correctional Enterprises employees related to what tasks they should perform, versus the tasks that Corrections employees perform. Correctional Enterprises relies on the policies and procedures of Corrections for many functions; however, these policies and procedures may not be sufficient for shared functions. Correctional Enterprises should ensure that for all critical functions, there are policies and procedures that clearly indicate which positions perform the functions and should communicate this to all employees so that it is clear where responsibilities lie to avoid confusion or instances of employees not performing their responsibilities.

We discussed these matters with management on May 1, 2023. Management's response to the findings identified in our review is included in the section titled "Agency Response." We did not validate management's response and, accordingly, cannot take a position on whether or not it adequately addresses the issues in this report.

This report is intended for the information and use of management. However, it is a public record, and its distribution is not limited.

Sincerely,

Staci A. Henshaw
Auditor of Public Accounts

JDE/clj



COMMONWEALTH of VIRGINIA
Department of Corrections

Virginia Correctional Enterprises

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July 31, 2023

Ms. Staci Henshaw
Auditor of Public Accounts
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Richmond, VA 23218

RE: Internal Control Questionnaire Review Results

Virginia Correctional Enterprises (VCE) has reviewed the Auditor of Public Accounts (APA) Internal Control Questionnaire Review Results. Please find management's response and action plan, below.

Summarization of Audit Finding:

- **Repeat** - Correctional Enterprises removed information system access for a separated employee 106 days after the individual's last day of employment. The Commonwealth's Information Security Standard, SEC 501 (Security Standard), Section PP4, requires the disabling of information system access within 24 hours of the employee's last day. Correctional Enterprises should prioritize timely removal of terminated employee system access.

VCE Corrective Action Plan:

VCE will work with DOC to review existing procedures and communicate the responsibilities to unit supervisors to notify IT in accordance with standards in place.

Target Date for Completion:

The procedures will be reviewed and communicated to staff by December 31, 2023.



Responsible Person/Positions:

VCE Unit supervisors, VCE HR and DOC's E-Commerce Team Lead Tech.

- **Partial Repeat** - Correctional Enterprises is not documenting an annual system access review for their employees. Section AC-2 of the Security Standard requires the organization to monitor the use of information system accounts. Additionally, Section AC-6 requires the organization to review on an annual basis the privileges assigned to all users to validate the need for such privileges and reassign or remove privileges, if necessary, to correctly reflect organization mission/business needs. Correctional Enterprises should document their annual review of system access with evidence of employees' supervisor review. This review should include reviewing accounts that employees have not used for an extended period of time to determine if access should be disabled.

VCE Corrective Action Plan:

VCE will work with DOC to ensure annual system access reviews are completed and documented in a timely manner.

Target Date for Completion:

The existing procedures will be reviewed and updated, if necessary, by December 31, 2023.

Responsible Person/Positions:

DOC's E-Commerce Team Lead Tech will coordinate the review.

- **Partial Repeat** - Correctional Enterprises has policies and procedures over several business areas; however, we identified an opportunity to improve policies and procedures and communication related to functions that Correctional Enterprises staff share with Corrections staff. Correctional Enterprises is part of Corrections but does have some business processes that are unique to Correctional Enterprises. In addition, Correctional Enterprises staff perform some functions such as information technology and human resources, but Corrections staff now supervise these positions. During our review there was some confusion among Correctional Enterprises employees related to what tasks they should perform, versus the tasks that Corrections employees perform. Correctional Enterprises relies on the policies and procedures of Corrections for many functions; however, these policies and procedures may not be sufficient for shared functions. Correctional Enterprises should ensure that for all critical functions, there are policies and procedures that clearly indicate which positions perform the functions and should communicate this to all employees so that it is clear where responsibilities lie to avoid confusion or instances of employees not performing their responsibilities.

VCE Corrective Action Plan:

In response to the APA finding, Management concurs. VCE specific policy and procedures should be developed.

Target Date for Completion:

The procedures will be completed by December 31, 2023.

Responsible Person/Positions:

VCE's HRO and DOC's E-Commerce Team Lead Tech will ensure VCE specific procedures are in place.

Please let me know if you have any questions regarding this response.

Sincerely,

Marie Vargo

VCE Chief Executive Officer