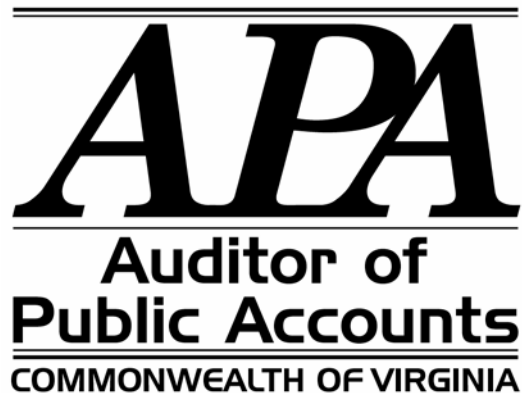


DEPARTMENT OF CRIMINAL JUSTICE SERVICES

**REPORT ON AUDIT
FOR THE TWO-YEAR PERIOD ENDED
JUNE 30, 2006**



AUDIT SUMMARY

Our audit of the Department of Criminal Justice Services for the two-year period ended June 30, 2006, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- weaknesses in internal control that require management's attention and corrective action; and
- an instance of noncompliance with applicable laws and regulations or other matters that are required to be reported.

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
AUDIT FINDINGS AND RECOMMENDATIONS	1-2
AGENCY HIGHLIGHTS	3-5
AUDIT OBJECTIVES	6
AUDIT SCOPE AND METHODOLOGY	6-7
CONCLUSIONS	7
EXIT CONFERENCE AND REPORT DISTRIBUTION	7
AGENCY RESPONSE	8-9
AGENCY OFFICIALS	10

AUDIT FINDINGS AND RECOMMENDATIONS

Strengthen Monitoring of Grant Programs

The Department of Criminal Justice Services (Criminal Justice Services) had responsibility for over \$30.5 million in federal funds in fiscal year 2006, of which the Byrne Formula Grant Program was over \$6 million. Criminal Justice Services designates grant monitors to ensure that localities receiving funds meet programmatic and fiscal grant requirements. In the case of the Byrne Formula Grant, there was no way to determine whether on-site monitoring visits actually occurred as required for Roanoke, Orange, and Radford counties.

We recommend that Criminal Justice Services require grant monitors to document all monitoring activities over federal grants to show that localities are adhering to grant agreements. Sub recipient monitoring is a mandatory federal oversight requirement.

Comply with the Commonwealth's Security Standard, SEC 2001

Criminal Justice Services is not in compliance with the Commonwealth's Security Standard, SEC 2001. This places Criminal Justice Services' systems and the information they contain at risk. We recommend that Criminal Justice Services improve the following information security areas in order to comply with the Commonwealth's security standard and to mitigate their risk:

- Establish a Security Awareness Training Program;
- Update the Business Impact Analysis;
- Update the Risk Assessment;
- Update the Business Continuity Plan to include interim manual processes to enable the continuance of critical operations in the absence of data processing support;
- Update the Disaster Recovery Plan to include specific information to recover from a disaster affecting the network, including a prioritized list for restoring services; and
- Establish data security policies and procedures.

In order to improve Criminal Justice Services' information security plan, Criminal Justice Services will need to address the recommendations above and dedicate the necessary resources to develop, document, and implement such plans. Management should take into account the detailed specifications included in the Commonwealth's new Security Standard, SEC 501, which was effective July 1, 2006, and requires compliance by July 1, 2007.

Strengthen Internal Controls over CARS Access

We found no employees with agency approval access only, and five employees with agency data entry and approval access. Excessive authorization and utilization of this access represents a weakness in Criminal Justice Services' internal controls. Although, Criminal Justice Services' did not use the access in fiscal year 2005 or 2006, they should evaluate whether the number of individuals with data entry and approval access is appropriate. Currently, there are eleven employees who have access to only enter CARS transactions, but no employees have authority to only approve CARS transactions.

It is Criminal Justice Services' responsibility to ensure that adequate internal controls exist. Unnecessary data entry and approval access increases the risk of fraud and abuse. In order to ensure the integrity of accounting transactions, Criminal Justice Services should re-evaluate CARS access to ensure that access is appropriate and reasonable based on the employee's job responsibilities and the needs of the agency.

AGENCY HIGHLIGHTS

The Department of Criminal Justice Services provides operational and support services to local governments to promote and enhance public safety. Criminal Justice Services distributes federal and state funding to localities, state agencies, and nonprofit organizations in the areas of law enforcement, prosecution, crime and delinquency prevention, juvenile justice, victims services, corrections, and information systems. Criminal Justice Services provides training, technical assistance, and program development services to all segments of the justice system.

FINANCIAL SUMMARY

Criminal Justice Services expended more than \$220 million of general funds in both fiscal year 2005 and 2006 respectively, which is more than 80 percent of their funds. Criminal Justice Services also collects revenues for private security licenses and receives fees collected by the courts and federal grants and contracts. The majority of Criminal Justice Services' expenses are House Bill 599 payments, which are transfers to localities to fund local police departments.

In fiscal year 2005, Criminal Justice Services received an additional \$1.5 million for the Virginia Crime Victim Witness Fund. Criminal Justice Services also received a mandatory re-appropriation of \$5.3 million in the Financial Assistance for Administration of Justice Program to reimburse localities for costs incurred. In addition, Criminal Justice Services received an additional appropriation of \$3 million to fund disbursements made from the Asset Forfeiture and Seizure Fund Program.

Overall, the fiscal year 2006 budget increased because of additional appropriations to fund House Bill 599 expenses and additional appropriations to fund the creation of the Department of Forensic Science. Forensic Science is a newly established agency under the Secretary of Public Safety. During fiscal year 2006, \$27.9 million of appropriations in the Crime Detection, Investigation, and Apprehension Program went to this agency. Criminal Justice Services also received an additional \$4.7 million as a re-appropriation to reimburse localities.

Analysis Of Budgeted And Actual Expenses By Program For Fiscal Year 2005

<u>Program</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
Criminal Justice Information Systems and Statistics	\$ 140,532	\$ 41,017	\$ 41,017
Criminal Justice Training/Education/Standards	1,682,118	1,707,850	1,683,215
Criminal Detection Investigation and Apprehension	27,588,414	27,738,414	23,686,181
Criminal Justice Research/Planning/Coordination	404,419	173,500	173,499
Asset Forfeiture/Seizure Fund			
Management/Financial Assist Program	2,402,709	5,353,326	5,317,205
Administrative and Support Services	1,405,763	2,181,425	2,024,354
Financial Assistance For Administration of Justice Services	66,559,178	74,033,820	63,447,888
Regulation of Professions and Occupations	1,524,710	2,024,710	1,972,136
Financial Assistance to Localities General	<u>177,551,170</u>	<u>177,551,171</u>	<u>177,551,172</u>
Total	<u>\$ 279,259,013</u>	<u>\$ 290,805,233</u>	<u>\$ 275,896,667</u>

Source: Commonwealth Accounting and Reporting System

Analysis Of Budgeted And Actual Expenses By Program For Fiscal Year 2006

<u>Program</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
Criminal Justice Information Systems and Statistics	\$ 140,532	\$ 82,218	\$ 82,217
Criminal Justice Training/Education/Standards	1,707,118	1,803,327	1,776,635
Criminal Detection Investigation and Apprehension	31,978,089	2,702,232	-
Criminal Justice Research/Planning/Coordination	404,419	184,307	184,306
Asset Forfeiture/Seizure Fund			
Management/Financial Assist Program	2,402,709	6,127,829	5,762,968
Administrative and Support Services	1,406,804	2,244,262	2,062,906
Financial Assistance For Administration of Justice Services	68,929,563	73,070,366	56,510,047
Regulation of Professions and Occupations	1,891,930	2,688,127	2,498,115
Financial Assistance to Localities General	<u>191,323,238</u>	<u>191,323,238</u>	<u>191,323,238</u>
Total	<u>\$ 300,184,402</u>	<u>\$ 280,225,906</u>	<u>\$ 260,200,432</u>

Source: Commonwealth Accounting and Reporting System

Analysis Of Program Expenses By Fund For Fiscal Year 2005

<u>Program</u>	<u>Total Expenses</u>	<u>General Fund</u>	<u>Federal Fund</u>	<u>Other Funds*</u>
Criminal Justice Information Systems and Statistics	\$ 41,017	\$ 41,017	\$ -	\$ -
Criminal Justice Training/Education/Standards	1,683,215	1,672,850	-	10,365
Criminal Detection Investigation and Apprehension	23,686,181	23,686,181	-	-
Criminal Justice Research/Planning/Coordination	173,499	173,499	-	-
Asset Forfeiture/Seizure Fund				
Management/Financial Assist Program	5,317,205	-	-	5,317,205
Administrative and Support Services	2,024,354	1,367,511	-	656,843
Financial Assist For Administration of Justice Services	63,447,888	24,533,890	29,940,140	8,973,857
Regulation of Professions and Occupations	1,972,136	-	-	1,972,136
Financial Assist to Localities General	<u>177,551,172</u>	<u>177,551,170</u>	<u>-</u>	<u>-</u>
Total	<u>\$275,896,667</u>	<u>\$229,026,118</u>	<u>\$29,940,140</u>	<u>\$16,930,406</u>

Source: Commonwealth Accounting and Reporting System

Note: *Other Funds include the Special Revenue Fund, Dedicated Special Revenue Fund, and Trust and Agency Fund Expenses

Analysis Of Program Expenses By Fund For Fiscal Year 2006

<u>Program</u>	<u>Fiscal Year 2006</u>			
	<u>Total Expenses</u>	<u>General Fund</u>	<u>Federal Fund</u>	<u>Other Funds*</u>
Criminal Justice Information Systems and Statistics	\$ 82,217	\$ 82,217	\$ -	\$ -
Criminal Justice Training/Education/Standards	1,776,635	1,768,326		8,309
Criminal Detection Investigation and Apprehension	-	-	-	-
Criminal Justice Research/Planning/Coordination	184,306	184,306	-	-
Asset Forfeiture/Seizure Fund				
Management/Financial Assist Program	5,762,968	-	-	5,762,968
Administrative and Support Services	2,062,906	1,500,507	-	562,399
Financial Assist For Administration of Justice Services	56,510,047	26,241,021	20,251,247	10,017,779
Regulation of Professions and Occupations	2,498,115	-	-	2,498,115
Financial Assist to Localities General	<u>191,323,238</u>	<u>191,323,238</u>	<u>-</u>	<u>-</u>
Total	<u>\$260,200,432</u>	<u>\$221,099,615</u>	<u>\$20,251,247</u>	<u>\$18,849,570</u>

Source: Commonwealth Accounting and Reporting System

Note: *Other Funds include the Special Revenue Fund, Dedicated Special Revenue Fund, and Trust and Agency Fund Expenses



Walter J. Kucharski, Auditor

Commonwealth of Virginia

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

May 15, 2006

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the records and operations of the Department of Criminal Justice Services for the period July 1, 2004, through June 30, 2006. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

AUDIT OBJECTIVES

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of Criminal Justice Services' internal controls, and test compliance with applicable laws and regulations.

AUDIT SCOPE AND METHODOLOGY

Criminal Justice Services' management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control 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.

- Federal grant revenues
- Expenditures
- HB 599 Payments
- Appropriations
- Cash receipts
- Network security

We performed audit tests to determine whether Criminal Justice Services' controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and observation of Criminal Justice Services' operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

CONCLUSIONS

We found that Criminal Justice Services properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. Criminal Justice Services records its transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The information presented in this report came directly from the Commonwealth Accounting and Reporting System.

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

EXIT CONFERENCE AND REPORT DISTRIBUTION

We discussed this report with management on May 24, 2007. Management's response has been included at the end of this report.

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.

AUDITOR OF PUBLIC ACCOUNTS



COMMONWEALTH of VIRGINIA

Department of Criminal Justice Services

Leonard G. Cooke
Director

May 21, 2007

202 N. Ninth Street
Richmond, Virginia 23219
(804) 786-4000
FAX (804) 371-8981
TDD (804) 386-8732

Mr. David A. Von Moll, State Comptroller
P. O. Box 1971
Richmond, Virginia 23218-1971

Dear Sir:

This letter outlines the audit findings and the corrective action plan associated with the audit conducted on the financial records for the Department of Criminal Justice Services for July 1, 2004 through June 30, 2006.

Audit Finding #1 - Strengthen Monitoring of Grant Programs

The Department of Criminal Justice Services has responsibility for over \$30.5 million in federal funds in fiscal year 2006, of which the Byrne Formula Grant Program was over \$6 million. Criminal Justice Services designates grant monitors to ensure that localities receiving funds meet programmatic and fiscal grant requirements. In the case of the Byrne Formula Grant, there was no way to determine whether on-site monitoring visits actually occurred as required for Roanoke, Orange and Radford counties.

Corrective Action

DCJS has recently developed an enhancement to the Grants Management Information System (GMIS) to track the monitoring done by grant monitors. This new application will capture which programs were monitored and when. It will also capture information pertaining to the purpose of the contact and a summary of results. The DCJS grant monitors will be required to log in all monitoring contacts made with our subgrantees.

Audit Finding #2 - Comply with the Commonwealth's Security Standard, SEC 2001

Criminal Justice Services is not in compliance with the Commonwealth's Security Standard, SEC 2001. This places the Department's systems and the information they contain at risk.

Corrective Action

DCJS is striving to comply with VITA's Data Security Policies and Procedures and the agency will undergo an audit to validate our compliance this year. We do not currently have a Security Awareness Training program however users are reminded of their security responsibility each time they log into the network on all applications. We plan to design and require that all users participate in an annual web-based security awareness training program to be available by January 2008. DCJS is also updating risk assessments for our sensitive or critical operations in the absence of data processing support. DCJS is currently determining whether VITA is responsible for providing specific information regarding the disaster recovery plan affecting the network since they now own and operate our agency network.

FINDING #3 - Strengthen Internal Controls over CARS Access

There are eleven employees who have access to enter CARS transactions, but no employees which have "approval only" authority to approve CARS transactions. There are five employees out of the eleven employees with agency data entry/approval access. Excessive authorization and utilization of this access represents a weakness in the agency's internal controls. Although, the agency did not use the access in fiscal year 2005 or 2006, the agency should evaluate whether the number of individuals with data entry/approval access is appropriate. .

CORRECTIVE ACTION

The Department of Criminal Justice Services has re-evaluated our need for 5 staff members to have approval and data entry capabilities within the Finance and the Grants Administration Section. DCJS has completed CARS Maintenance forms to change access for two Grants Administration Staff and one Finance Section Staff to have approval capability only. Other staff will be required to key batches these individuals would normally key. Secondly, the Fiscal Officer and the Assistant Fiscal Officer will continue to have data entry/approval access, so there will be sufficient back up if one or the other is out of the office based on the requirements of their job. It is important to note that there was no incident where an individual staff member entered data and released data under the same CARS Logon id/password during this audit period.

We trust these corrective actions will satisfy the requirements set forth by your office and the Auditor of Public Accounts. If you have any additional questions regarding this response, please contact Reeva Tilley at 786-3746, or email reeva.tilley@dcjs.virginia.gov.

Sincerely,



B. J. Northington
Deputy Director

cc: The Honorable John W. Marshall – Secretary of Public Safety
Walter J. Kucharski – Auditor of Public Accounts

SECRETARY AND AGENCY OFFICIALS

Honorable John W. Marshall, Secretary of Public Safety

Leonard G. Cooke, Director

CRIMINAL JUSTICE SERVICES BOARD

Sheriff Beth Arthur, Chairperson

The Honorable Robert L. Bushnell
Charles J. Condon
Marla Decker
Jeffrey R. Dion
Alfred T. Dowe
Helen F. Fahey
Colonel W. Steve Flaherty
D. J. Geiger
Barry R. Green
Kevin S. Hodges
Chief A. M. Jacocks, Jr.
Chief James R. Lavinder
Edward M. Macon
Jay W. Malcan, Ph.D.

Walter A. McFarlane
Jonathan McGrady
Sheriff Charles W. Phelps
Nancy St. Clair Finch
N.H. Cookie Scott
Sergeant Jerri L. Smith
The Honorable Richard D. Taylor, Jr.
Sherman Carl Vaughn, Sr.
Christopher R. Webb
The Honorable Archer L. Yeatts, III
The Honorable Robert Hurt
The Honorable Beverly J. Sherwood
The Honorable Kenneth W. Stolle
The Honorable Frederick M. Quayle

