



DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2022

Auditor of Public Accounts
Staci A. Henshaw, CPA

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AUDIT SUMMARY

For the fiscal year ended June 30, 2022, we audited the Department of Rail and Public Transportation's (Rail and Public Transportation) internal controls and compliance over grant expenses and transfers made to other governmental entities, nonprofit entities, or corporations for the purpose of enhancing rail and public transit services in the Commonwealth of Virginia. Rail and Public Transportation is responsible for disbursing funds in compliance with both state and federal regulations, as applicable. We also reviewed business cycles related to journal entries, other non-capital and non-payroll expenses, and information systems security. During our audit, we found:

- proper recording and reporting of grant expenses and transfers, journal entries, and non-capital and non-payroll expenses, in all material respects, in the Commonwealth's accounting and reporting system and Rail and Public Transportation's internal procurement and financial reporting system; and
- three 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 that are required to be reported.

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AUDIT FINDINGS AND RECOMMENDATIONS

Improve Database Security

Type: Internal Control and Compliance

Repeat: No

Rail and Public Transportation does not implement certain security controls and processes to secure the database supporting its financial system of record in accordance with its internal policies, the Commonwealth's Information Security Standard, SEC 501 (Security Standard) and industry best practices, such as the Center for Internet Security Benchmark (CIS Benchmark). We identified four control weaknesses and communicated them to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under § 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms.

The Security Standard requires Rail and Public Transportation to implement certain security controls to safeguard systems that contain or process sensitive data. By not implementing these security controls, Rail and Public Transportation increases the risk to its data confidentiality, integrity, and availability.

While Rail and Public Transportation corrected some of the weaknesses identified during the audit, the agency experienced staffing turnover across its Information Technology department at the beginning of fiscal year 2022, causing it to not have some of the required security controls and processes in place. Rail and Public Transportation should implement the controls discussed in the communication marked FOIAE in accordance with the Security Standard and industry best practices, such as the CIS Benchmark. This will help maintain the confidentiality, integrity, and availability of sensitive and mission critical data.

Define and Document System Access Roles and Responsibilities

Type: Internal Control and Compliance

Repeat: No

Rail and Public Transportation has not adequately defined and documented access roles and their related responsibilities for its internal financial and procurement system. This system supports several types of roles and responsibilities that, if not appropriately defined and managed, could put Rail and Public Transportation at risk of fraud or error.

The Security Standard outlines agency requirements as they relate to systems access controls. The Security Standard, Section AC-5, requires Rail and Public Transportation to define and assign system access to support segregation of duties. Further, Section AC-6 of the Security Standard requires Rail and Public Transportation to employ the principle of least privilege when granting and managing access.

Proper separation of duties reduces the risk of fraud and errors. The principle of least privilege intends to reduce the risk of compromising data integrity and unnecessary exposure to sensitive data and critical functions. Without defining and documenting the roles and responsibilities, the system's

owner cannot effectively ensure user access to the system is reasonable or appropriate during role assignment and periodic access reviews.

Staff turnover and conflicting information systems priorities contributed to Rail and Public Transportation not having adequate documentation of the access roles and their related responsibilities in its internal financial and procurement system. Additionally, Rail and Public Transportation's access control policy inadequately addresses all access controls and processes required by the Security Standard.

Rail and Public Transportation should prioritize defining and documenting the roles in its various information systems to ensure user access to the system is reasonable and appropriate. Once defined, Rail and Public Transportation should evaluate business needs as well as employees' job duties to ensure system access is appropriate to support separation of duties and the principle of least privilege.

Ensure Employees Complete Required Conflict of Interest Training

Type: Internal Control and Compliance

Repeat: No

Rail and Public Transportation did not ensure employees completed the required Conflict of Interest (COI) Training within the timeframes outlined in the State and Local Government Conflict of Interests Act in the Code of Virginia. Six of 49 employees (12%) in positions of trust did not complete the required training timely. Of these six exceptions, five were new employees hired during fiscal year 2022 who did not complete their training up to an average of three months after their filing date, and one was an existing employee who did not complete their training more than 13 months past the required training deadline.

Pursuant to Code of Virginia § 2.2-3130, each state filer shall attend the orientation course within two months after he or she becomes a state filer and at least once during each consecutive period of two calendar years commencing on the first odd-numbered year thereafter. Deficiencies in this area put Rail and Public Transportation at risk of improper close affiliations between employees and external parties, such as grantees or contractors.

Due to a lack of policies and procedures, turnover in the COI administrator position, and lack of management oversight, Rail and Public Transportation did not properly monitor employees in positions of trust to ensure the timely completion of the required COI training. Rail and Public Transportation should document the COI requirements in policies and procedures, disseminate those procedures to applicable staff and supervisors, and appropriately monitor employees in positions of trust to ensure compliance with the COI training requirements in the Code of Virginia.

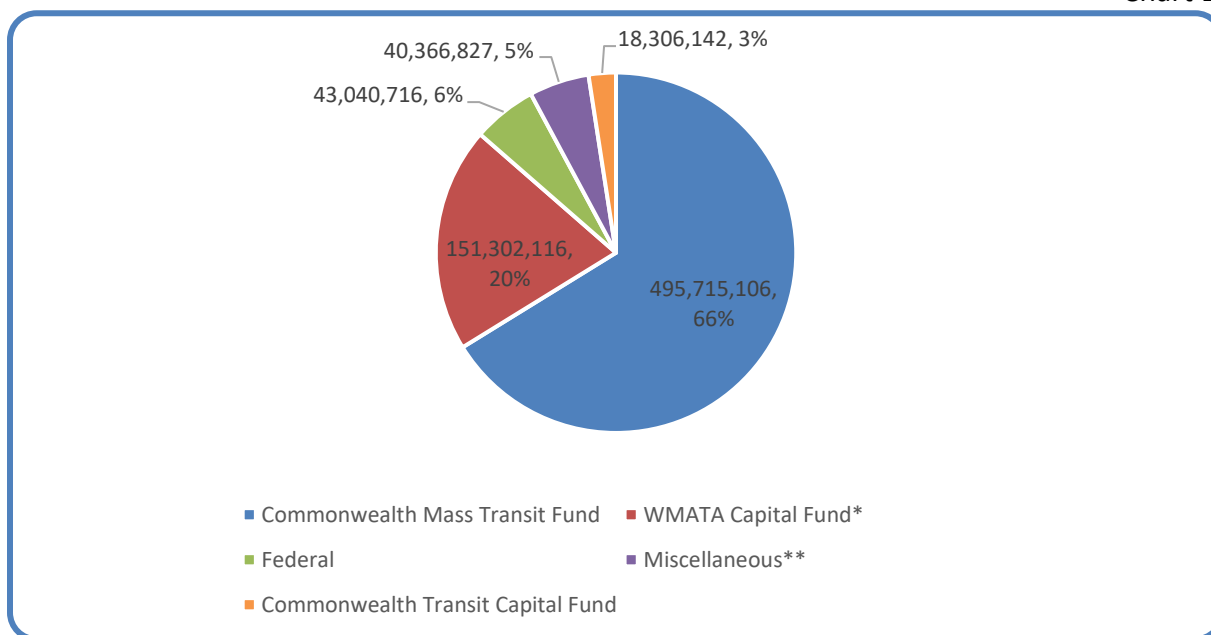
AUDIT SCOPE OVERVIEW

The Auditor of Public Accounts has a risk-based approach for auditing agencies, like Rail and Public Transportation, that are not required to be audited every year. We refer to these agencies as cycled agencies. Depending on their risk profile, some cycled agencies are subject to a high-level review of internal controls while others are subject to an audit that allows us to cover risky areas at these agencies in more depth. Given significant turnover of Rail and Public Transportation's staff in recent years, we conducted an audit of Rail and Public Transportation for fiscal year 2022.

Rail and Public Transportation receives, administers, and allocates planning, operating, capital, and other funding for the purposes of public transportation, freight rail transportation, and ridesharing. Expenses for these activities were 98 percent of Rail and Public Transportation's activity in fiscal year 2022. Chart 1 below shows the breakdown of grant expenses and transfers by fund categories.

Fiscal Year 2022 Grant Expenses and Transfers by Fund

Chart 1



*WMATA represents the Washington Metropolitan Area Transit Authority

**Miscellaneous is comprised of the following funds: I-95 Express Lanes; Highway Construction; Short line Rail Preservation & Development; I-66 Outside Beltway Concessionaire; Commonwealth Rail; Priority Transportation; and Rail and Public Transportation Special Revenue

We reviewed internal controls over grant expenses and transfers to ensure Rail and Public Transportation has adequate internal controls to ensure compliance with laws, regulations, provisions of contracts or grant agreements, and statewide policies and procedures. We also reviewed internal controls over journal entries and non-capital and non-payroll expenses. Lastly, we evaluated Rail and Public Transportation's information system security controls, specifically database and access controls over its internal procurement and financial reporting system, which is the system used to process grant expenses and transfers.



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
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September 20, 2023

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Jennifer DeBruhl
Director

We have audited select business cycles of the **Department of Rail and Public Transportation** (Rail and Public Transportation) for the year ended June 30, 2022, including grant expenses and transfers, journal entries, other non-capital and non-payroll expenses, and information systems security. 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 business cycles listed above were to evaluate the accuracy of transactions as recorded in the Commonwealth's accounting and financial reporting system and/or Rail and Public Transportation's internal procurement and financial reporting system; review the adequacy of Rail and Public Transportation's internal controls; and test compliance with applicable laws, regulations, contracts, and grant agreements.

Audit Methodology

Rail and Public 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, as they relate to the audit objectives, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Rail and Public 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 as they pertain to our audit objectives.

Our audit procedures included inquiries of appropriate personnel and inspection of documents, records, and contracts. We performed analytical procedures, including budgetary analyses. We also tested details of transactions to achieve our objectives.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Conclusions

We found that Rail and Public Transportation properly stated, in all material respects, grant expenses and transfers, journal entries, and other non-capital and non-payroll expenses recorded and reported in the Commonwealth’s accounting and financial reporting system and Rail and Public Transportation’s internal procurement and financial reporting system, relating to the audit objectives.

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 titled “Audit Findings and Recommendations.”

Exit Conference and Report Distribution

We discussed this report with management on September 12, 2023. Management’s response to the findings identified in our audit is included in the section titled “Agency Response.” We did not audit management’s response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Governor and General Assembly, management, and citizens of the Commonwealth of Virginia and is a public record.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

LVG/clj

FINDINGS SUMMARY

Finding	Follow Up Status	Year Issued
Improve Database Security	New	2022
Define and Document System Access Roles and Responsibilities	New	2022
Ensure Employees Complete Required Conflict of Interest Training	New	2022



COMMONWEALTH of VIRGINIA

Jennifer B. DeBruhl
Director

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January 24, 2024

The Auditor of Public Accounts
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Dear Ms. Henshaw:

We reviewed the audit report for the period covering July 1, 2021 through June 30, 2022 for the Department of Rail and Public Transportation (DRPT). DRPT's management discussed the recommendations internally as well as with your team.

We agree with the findings and, since the inception of the audit, have implemented steps to better define and document database access, improve database security, and ensure the timely submission of Statement of Economic Interest trainings by employees.

Thank you for your staff's professionalism and guidance through the audit. If additional information is required, please contact Ashley Nusbaum, Controller, at ashley.nusbaum@drpt.virginia.gov or 757-810-4163.

Sincerely,

DocuSigned by:
A handwritten signature in black ink that reads "Jennifer DeBruhl".
AB2791E771E14D5

Jennifer B. DeBruhl, Director