



DEPARTMENT OF CORRECTIONS
INCLUDING
VIRGINIA PAROLE BOARD

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2022

Auditor of Public Accounts
Staci A. Henshaw, CPA

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AUDIT SUMMARY

We have audited the payroll cycle, including related fringe benefits, of the Department of Corrections (Corrections), including the Virginia Parole Board, for the fiscal year ended June 30, 2022. We also followed up on a prior audit finding related to purchasing system access. Our audit found:

- proper recording and reporting of all payroll expenses, in all material respects, in the Commonwealth's accounting and reporting system and payroll system, Corrections' accounting records, and in supplemental information and the leave liability attachment submitted to the Department of Accounts;
- two matters involving internal control and its operation necessary to bring to management's attention that also represent instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Deactivate Access to the Commonwealth's Purchasing System Timely

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Yes (first issued in fiscal year 2017)

Prior Title: Improve Internal Controls over Purchasing System Access

The Department of Corrections (Corrections) did not deactivate access to the Commonwealth's purchasing system timely. In seven out of twelve terminated employees tested, Corrections deactivated access to the purchasing system between twelve and 108 days after the effective date of the employee's termination.

The Commonwealth's purchasing system Security Standard, Section 2.10 - Deactivation of the Commonwealth's Purchasing System Access, requires the deactivation of access to the purchasing system when the requirement for access no longer exists. In addition, the Commonwealth's Information Security Standard, SEC 501 (Security Standard), Section PS-4, requires Corrections to revoke any credentials associated with the individual at the termination of the individual's employment. Untimely deletion of terminated employee access can expose Corrections to unnecessary risk. As the Commonwealth's purchasing system is a web-based application accessible from anywhere, Corrections may be subject to an elevated risk of unauthorized access to online transactions, as removing a user from Corrections' internal network is not sufficient to limit a user's ability to access the system.

Corrections did not remove access timely due to a lack of policies and procedures, lack of communication between employee supervisors and the purchasing system Security Officer, and staff turnover. Corrections does not have policies and procedures related to deactivation of purchasing system accounts. Due to this, there is a lack of clarity regarding who is responsible for deactivating purchasing system account access and performing periodic access reviews to determine the reasonableness of access. In addition to the lack of policies and procedures, employee supervisors are not timely notifying the purchasing system Security Officer upon the termination of employees. Corrections is utilizing termination checklists; however, the checklist does not explicitly state that supervisors completing the checklist should reach out to the purchasing system Security Officer to deactivate terminated employees' purchasing system access. Finally, Corrections was without a Procurement Director from January 2022 until the end of March 2022. The Procurement Director is responsible for periodically generating a report to identify terminated employees with access to the Commonwealth's purchasing system, and no one performed this procedure while this position was vacant.

Corrections should develop and implement policies and procedures over the timely removal of access to the Commonwealth's purchasing system. Corrections should also ensure supervisors are completing the "termination checklist" and contacting the Security Officer to request system access deletion in a timely manner. If supervisors are not following this procedure, management should take action to ensure supervisors perform these internal controls.

Implement Internal Controls to Terminate Benefits for Employees Convicted of a Felony

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The Virginia Department of Corrections (Corrections) has not designed, implemented, or documented internal controls to identify when it is necessary to initiate the benefits forfeiture process against an employee convicted of a felony in relation to his/her employment. Two former employees committed offenses while performing job responsibilities at Corrections which resulted in the conviction of a felony. Management did not initiate the process of terminating these employees' benefits with the Virginia Retirement System (VRS) as there were no policies and procedures in place to direct Corrections to perform this process.

Section 51.1-124.13 of the Code of Virginia requires the forfeiture of all pension and related benefits under title 51 if there is a conviction of a felony by a state employee associated with the performance of the employee's job and the person's employer determines that the felony arose from misconduct in a covered position on or after July 1, 2011. To aid agencies in meeting this requirement, the Virginia Retirement System created a form known as the [VRS-180](#) form. This form contains background information and steps an agency can take to meet the requirements of the Code of Virginia. VRS asserts that agencies are responsible for initiating the benefits forfeiture process and communicating required forfeitures to VRS. Without adequately designing and implementing internal controls over this process, an individual convicted of a qualifying felony may be able to obtain benefits through the Virginia Retirement System.

Management believed that they were not responsible for completing and sending the form to VRS because the employees resigned from their positions in fiscal year 2020 and did not receive a conviction of a felony until fiscal year 2022. In addition, there was confusion amongst Corrections' Human Resources and Special Investigation Unit as to which division was responsible for initiating this process.

Management should establish policies and procedures regarding a process that identifies when it is necessary to initiate the benefits forfeiture process in accordance with the Code of Virginia and state which departments are responsible for the implementation of these policies and procedures. This process should also include a tracking aspect to ensure that Corrections is monitoring the outcomes of trials where there is a potential for a felony conviction of a Corrections' employee in relation to their job responsibilities. Management should also communicate with the Virginia Retirement System to ensure there is no further action needed by Corrections for the known conviction of a felony by the two prior employees referenced in this finding.



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 16, 2022

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

We have audited the financial records and operations relating to the payroll cycle, including related fringe benefits, and purchasing system access of the **Department of Corrections** (Corrections), including the Virginia Parole Board, for the year ended June 30, 2022. We conducted this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, in support of the Commonwealth's Annual Comprehensive Financial Report audit. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objective was to evaluate the accuracy of Corrections' financial transactions as reported in the Annual Comprehensive Financial Report for the Commonwealth of Virginia for the year ended June 30, 2022. In support of this objective, we evaluated the accuracy of recorded financial transactions in the Commonwealth's accounting and financial reporting system and payroll system, in Corrections' accounting records, and in supplemental information and the leave liability attachment submitted to the Department of Accounts; reviewed the adequacy of Corrections' internal controls; tested for compliance with applicable laws, regulations, contracts, and grant agreements; and reviewed corrective actions with respect to audit findings and recommendations from the fiscal year 2017 audit that was deferred in previous audits.

Audit Scope and Methodology

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

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Payroll expenses, including related fringe benefits
Information systems access

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

Our consideration of internal control over financial reporting (internal control) was for the limited purpose described in the section "Audit Objectives" and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control titled "Deactivate Access to the Commonwealth's Purchasing System Timely" and "Implement Internal Controls to Terminate Benefits for Employees Convicted of a Felony," which are described in the section titled "Internal Control and Compliance Findings and Recommendations," that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Conclusions

We found that Corrections properly stated, in all material respects, the amounts recorded and reported in the Commonwealth's accounting and financial reporting system and payroll system, Corrections' accounting records, and in supplemental information and the leave liability attachment submitted to the Department of Accounts.

We noted certain matters involving internal control and its operation and compliance with applicable laws, regulations, contracts, and grant agreements that require management's attention and corrective action. These matters are described in the section titled "Internal Control and Compliance Findings and Recommendations."

Corrections has not taken adequate corrective action with respect to the audit finding and recommendation reported as deferred in the prior year audit report.

Exit Conference and Report Distribution

We discussed this report with management on December 2, 2022. Government Auditing Standards require the auditor to perform limited procedures on management's response to the findings identified in our audit and included in the accompanying section titled "Agency Response." Correction's response was not subjected to the other auditing procedures applied in the audit 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 the citizens of the Commonwealth of Virginia and is a public record.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

AVC/clj



COMMONWEALTH of VIRGINIA

HAROLD W. CLARKE
DIRECTOR

Department of Corrections

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December 5, 2022

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

Dear Ms. Henshaw,

The Department of Corrections has reviewed the Auditor of Public Accounts (APA) report pertaining to the Department for the audit period July 1, 2021, through June 30, 2022. We understand the findings and appreciate the opportunity to respond to the recommendations.

The Department of Corrections will provide responses to the findings accompanied by plans to appropriately and specifically address the issues raised by the APA. Combined with actions already taken and currently under way, the Department's objective to comply with applicable laws and regulations will serve to strengthen and control our operations and financial records. Please let me know if you have questions regarding this response.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Walters", with a long horizontal line extending to the right.

Joseph W. Walters
Deputy Director for Administration

cc: Director Harold W. Clarke
Mr. Louis B. Eacho

DEPARTMENT OF CORRECTIONS

As of June 30, 2022

Harold W. Clarke, Director

David Robinson, Chief of Corrections, Operations

Joseph W. Walters, Deputy Director, Administrations

Scott Richeson, Re-entry and Programs Director

Lucinda Childs-White, Director of Human Resources

Kathy Brown, Internal Audit Director

Louis Eacho, Chief Fiscal Officer