



DEPARTMENT OF CORRECTIONS  
INCLUDING  
VIRGINIA PAROLE BOARD

REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2023

Auditor of Public Accounts  
Staci A. Henshaw, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

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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 year ended June 30, 2023. We also followed up on a prior audit finding related to purchasing system access. Our audit found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's human resource and payment management 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; and
- adequate corrective action with respect to prior audit findings identified as complete in the [Findings Summary](#) included in the Appendix.

In the section titled "Internal Control and Compliance Findings and Recommendations" we have included our assessment of the conditions and causes resulting in the internal control and compliance findings identified through our audits as well as recommendations for addressing those findings. Our assessment does not remove management's responsibility to perform a thorough assessment of the conditions and causes of the findings and developing and appropriately implementing adequate corrective actions to resolve the findings as required by the Department of Accounts in Section 10205 – Agency Response to APA Audit of the Commonwealth Accounting Policies and Procedures Manual. Those corrective actions may include additional items beyond our recommendations.

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## INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

### **Improve Internal Controls over Employee Termination Process**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

The Department of Corrections (Corrections) Human Resources Department (Human Resources) does not have adequate internal controls over the terminated employee off-boarding process. As a result, we identified the following deficiencies:

- Human Resources was unable to confirm the collection of Commonwealth property for three of 19 (16%) terminated employees sampled.
- Human Resources did not enter six of 18 (33%) employees' termination date within the Commonwealth's human resource and payment management system (System) within 24 hours of the employees' termination date.
- Supervisors did not submit deactivation requests timely for the removal of system access for 21 of 25 (84%) terminated employees sampled.

Corrections' internal policy states that staff must complete termination checklists immediately to ensure they have addressed all separation issues regarding the employee. Performing checklists immediately upon employee separation provides confirmation of the collection of all Commonwealth property assigned to the employee, that staff have entered termination dates into the System within 24 hours, and the proper removal of system access. By supervisors not adequately completing and submitting the termination checklist, there is an increased risk of misappropriation of Commonwealth assets and employees having the ability to access Corrections' information systems and facilities after termination. In addition, the Commonwealth's Information Security Standard (Security Standard), SEC 501, 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. Untimely termination of system access increases the risk of terminated employees retaining unauthorized access to state systems and sensitive information.

Corrections has multiple facilities throughout the Commonwealth. Each facility's Human Resources is responsible for maintaining accurate employee personnel records, completing the termination checklists, and performing off-boarding procedures. Since Corrections stores employee personnel records at each facility, documentation is not easily or readily obtainable. Human Resources should take the necessary steps to ensure supervisors perform their responsibilities to complete and submit the termination checklist and inform Corrections' Information Technology Security Department of terminated employees to ensure timely deactivation of system access. Additionally, Corrections should review its current termination practices to ensure their policy is reasonable, that effective internal controls are in place, and documentation is readily available upon request.

## **Improve Management of Access to the Retirement Benefits System**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

Corrections does not have adequate controls in place to ensure that system access to the Commonwealth's retirement benefits system (Retirement System) is appropriate. We tested a sample of eight employees and all system administrators and found Human Resources did not remove access timely for one (13%) employee nor for one out of four (25%) administrative users who separated from the agency or transferred internally that no longer require access to the Retirement System.

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. Additionally, the Security Standard, Section AC-6 Least Privilege, requires organizations to employ the principle of least privilege, allowing only authorized access for users that is necessary to accomplish assigned tasks in accordance with organizational missions and business functions. Untimely termination of access and improper access increases the risk of unauthorized use of the Retirement System which could result in inappropriate changes that could impair data integrity.

Corrections lacks detailed policies and procedures over removal of access to the Retirement System. Human Resources should ensure that access to the Retirement System is appropriate. Additionally, Human Resources should develop detailed procedures for managing access to ensure proper removal of access to the Retirement System when employees no longer require access.



# Commonwealth of Virginia

## Auditor of Public Accounts

Staci A. Henshaw, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

December 15, 2023

The Honorable Glenn Youngkin  
Governor of Virginia

Joint Legislative Audit  
and Review Commission

Chadwick Dotson  
Department of Corrections

We have audited the financial records and operations relating to the payroll cycle, including related fringe benefits, of the **Department of Corrections** (Corrections), including the Virginia Parole Board, for the year ended June 30, 2023. 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, 2023. In support of this objective, we evaluated the accuracy of recorded financial transactions in the Commonwealth's human resource and payment management system, in Corrections' accounting records, and 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 from prior year reports.

## **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 audit 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 "Improve Internal Controls over Employee Termination Process" and "Improve Management of Access to the Retirement Benefits System," 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 human resource and payment management 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 taken adequate corrective action with respect to prior audit findings identified as complete in the [Findings Summary](#) included in the Appendix.

Since the findings noted above include those that have been identified as significant deficiencies, they will be reported as such in the "Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards," which is included in the Commonwealth of Virginia's Single Audit Report for the year ended June 30, 2023. The Single Audit Report will be available at [www.apa.virginia.gov](http://www.apa.virginia.gov) in February 2024.

## **Exit Conference and Report Distribution**

We discussed this report with management at an exit conference held on December 14, 2023. Government Auditing Standards require the auditor to perform limited procedures on Corrections' response to the findings identified in our audit, which is included in the accompanying section titled "Agency Response." Corrections' response was not subjected to the other auditing procedures applied in the audit and, accordingly, we express no opinion on the response.

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

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## FINDINGS SUMMARY

Finding Title	Status of Corrective Action	First Issued
Deactivate Access to the Commonwealth's Purchasing System Timely	Complete	2017
Implement Internal Controls to Terminate Benefits for Employees Convicted of a Felony	Complete	2022
Improve Internal Controls over Employee Termination Process	Ongoing	2023
Improve Management of Access to the Retirement Benefits System	Ongoing	2023



# COMMONWEALTH of VIRGINIA

CHADWICK S. DOTSON  
DIRECTOR

*Department of Corrections*

P.O. BOX 26963  
RICHMOND, VIRGINIA 23261  
(804) 674-3000

December 19, 2023

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, 2022, through June 30, 2023. 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 "CDOTSON".

Chadwick S. Dotson  
Director

cc: Joseph W. Walters, Deputy Director for Administration  
Louis B. Eacho, Chief Financial Officer