



AGENCIES OF THE SECRETARY OF HEALTH AND HUMAN RESOURCES

JUNE 30, 2013

Executive Summary

Audit of the Agencies of the Secretary of Health and Human Resources
For the year ending June 30, 2013

Summary of Audit Results

During our audit, we found the following:

- Proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System and in each agency's accounting records;
- Four matters that we consider to be **material weaknesses** in internal controls;
- Twenty-six additional matters that we consider to be **significant deficiencies** in internal control; and
- Instances of noncompliance with applicable laws and regulations that are required to be reported under Government Auditing Standards.

Summary of Financial Highlights

The agencies in the Health and Human Resources Secretariat were provided a budget of \$12.3 billion.

Through administrative adjustments processed by the agencies and the Department of Planning and Budget the total budget increased by **\$191 million** (2 percent), which resulted in an adjusted budget of **\$12.5 billion**.

During fiscal year 2013 agencies collectively spent \$12.1 billion, which resulted in \$397.8 million of unspent budgeted funds. While some of the unspent budget was the result of multi-year projects, the **Department of Planning and Budget** should be concerned that some of the **Department of Social Services'** (Social Services) program budgets do not provide an accurate picture of the federal resources that will be used to provide services. **Social Services** has not reduced budgeted appropriations for federal funds for reductions in both estimated revenues and available general fund matching.

Summary of Findings

5

findings, two of which are considered material weaknesses, relate to **User Access**. These findings are related to information system owners improperly managing the access that users have to their critical systems. These findings should be of concern to **the Virginia Information Technologies Agency (VITA)** and the **Department of Accounts**, as they are responsible for issuing guidance in these areas and many of the systems with access issues feed financial information into the Commonwealth's Comprehensive Annual Financial Report issued by the **Comptroller**.

8

findings, two of which are considered material weaknesses, relate to **Information Systems Security**. These findings are related to the SEC-501 Commonwealth Information Security Standards. Due to the sensitive nature of these findings, they are mostly listed in summary within our report; however, we have reported the details of each finding to management. These findings should be of concern to **VITA**, as it is responsible for maintaining the information security standards within the Commonwealth.

12

findings are related to Federal Compliance. These findings cite **specific compliance violations** with the Code of Federal Regulations or the Federal Office of Management and Budget (OMB) Circulars. Federal compliance findings could result in questioned costs and liabilities to the federal government if corrective actions are not taken by management. These issues may require additional resources and supervision in order to correct and; therefore, should be **monitored by management**.

5

findings represent issues of state **non-compliance** and **operations** recommendations. These are findings that warrant the attention of management, as the agencies are not adhering to the internal policies of the Commonwealth. These represent operational inefficiencies, non-compliance with financial reporting policies, and control of personally identifiable information.

Table of Contents

Executive Summary	2
Table of Contents	3
Recommendations	
Department of Health	
Implement User Access Controls for ROAP System – CACFP	4
Maintain Updated Information Systems Inventory – CACFP	5
Improve Web Application Security – CACFP	6
Complete Subrecipient Monitoring Reviews – CACFP	7
Review Subrecipient Single Audit Reports and Issue Management Decisions – CACFP	8
Improve Controls over Federal Reporting – CACFP	9
Complete Federal Funding Accountability and Transparency Act Reporting – CACFP	10
Establish Corrective Actions for Federal Findings – WIC	11
Improve WICNET Controls over Eligibility – WIC.....	12-13
Review Subgrantee Single Audit Reports and Schedules of Expenditures of Federal Awards – WIC.....	14
Improve Controls over Federal Reporting – WIC	15
Complete Federal Funding Accountability and Transparency Act Reporting – WIC.....	16
Improve Oracle Database Security	17
Communicate Responsibilities for ADAP Inventory and Properly Report	18
Promptly Remove WebVision Access for Separated Users.....	19
Department of Social Services	
Develop Workable Solutions to Maintain Appropriate Balance of Internal Controls	20
Perform Health and Safety Inspection as Required	21
Improve Oracle Database Security	22
Implement and Improve Change Management Process for Sensitive Applications	23
Review User Accounts and Privileges for Mission Critical Systems.	24
Reduce the Time it Takes to Match Payments to Case Records.....	25
Ensure the New Eligibility System is Properly Handling Cases Transferred from the Old System.....	26
Automate an Eligibility Control.....	27
Department of Behavioral Health and Developmental Services	
Improve SQL Server Database Security	28
Remove Access Promptly Upon Employee Termination.....	29
Record Capital Outlay Budgets and Expenditures in GCPay as Required	30
Department of Medical Assistance Services	
Improve Oracle Access Controls.....	31
Improve Access Management to the Medicaid Management Information System	32
Department for Aging and Rehabilitation Services	
Implement Corrective Actions to Improve Financial Reporting Controls.....	33
Notify the Department of Accounts of All Protected Personally Identifiable Information	34
Financial Highlights	35-39
Auditor’s Report.....	40-43
Appendix: Description of State Programs	44-47
Agency Responses.....	48-56
Agency Officials	57

Implement User Access Controls for ROAP System - CACFP

New Finding

Compliance and Internal Controls

Material Weakness

Condition

The Virginia Department of Health (Health) is not managing access to their Regional Office Administered Program (ROAP) system used to submit claims for reimbursement for the Child and Adult Care Feeding Program (CACFP), CFDA #10.558 . Currently, there is no new user agreement form to substantiate the access being granted, there is no periodic review of granted access for reasonableness, as well as no termination process for separated or transferred employees. Additionally, several users have Database Administrator access and there is not an adequate record justifying the creation of accounts or what levels of access are reasonable.

Criteria

Commonwealth Information Security Standard SEC 501-7.1, AC-2 Account Management, details the need for managing information system accounts. These standards include, but are not limited to identifying account types and establishing authorized users for each type; requiring appropriate approvals for new user access; deactivating accounts of separated employees; and reviewing access for reasonableness at least annually.

Consequence

Not monitoring user access increases the risk of unauthorized transactions within the ROAP system. ROAP is a web-based system and terminated users can access the application from outside the agency after separation. Database Administrator accounts have the ability to create fictitious accounts due to their level of access and no record of new account authorizations exists. Also, management does not perform a review of transactions in the system to ensure that separated employees are not engaging in unauthorized transactions in the system.

Cause

The ROAP system was obtained when Health assumed administration of CACFP from the United States Department of Agriculture (USDA). When Health implemented the ROAP system they continued to use it as if the USDA still owned it and never established controls to monitor the access of users.

Recommendation

Health should implement controls over the ROAP system by creating new user access agreement forms, a periodic review of access for reasonableness, and a termination of user access policy that states the need for prompt removal of access from the system. Additionally, we recommend the program manager maintain a record justifying the creation of new accounts. Health should also evaluate the level of access maintained by users and ensure that the principle of least privilege is being followed.

Maintain Updated Information Systems Inventory - CACFP

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

The Office of Information Management (OIM) at Health does not maintain a complete list of all information systems. Specifically, OIM did not account for the Regional Office Administered Program (ROAP) system.

Criteria

The Commonwealth Information Security Standard, SEC 501-07.1, Section 8.15 (SA-1), requires a formal, documented system and services acquisition policy that includes information security considerations and that addresses purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance.

Consequence

By excluding ROAP from OIM's inventory of information systems, Health cannot ensure that ROAP has appropriate controls that protect against information security risks. In addition, a lack of communication with Internal Audit has allowed the system to avoid appropriate internal audit coverage.

Cause

The ROAP system was obtained when Health assumed administration of the Child and Adult Care Feeding Program (CACFP) from the United States Department of Agriculture. When Health implemented the ROAP system, they continued to use it as if the USDA still owned it and did not establish appropriate information security controls.

Recommendation

Health, specifically OIM, should dedicate the necessary resources to ensure that they maintain an accurate, updated inventory of all information systems owned by Health.

Improve Web Application Security - CACFP

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Health does not implement certain controls in its Regional Office Administered Program (ROAP) web application that contains sensitive information. We identified three weaknesses in controls that we communicated to management in a separate document marked Freedom of Information Act (FOIA) Exempt under Section 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms.

Criteria

The Commonwealth Information Security Standard, SEC 501-07.1, requires implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability.

Consequence

Health cannot ensure confidentiality, integrity, and availability for the ROAP web application.

Cause

The ROAP system was obtained when Health assumed administration of the Child and Adult Care Feeding Program (CACFP) from the United States Department of Agriculture. When Health implemented the ROAP system, they continued to use it as if the USDA still owned it and did not establish appropriate information security controls.

Recommendation

Health should dedicate the necessary resources to implement the controls discussed in the communication marked FOIA-Exempt in accordance with the Commonwealth Information Security Standard, SEC 501-07.1.

Complete Subrecipient Monitoring Reviews - CACFP

Repeat Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Health did not complete the minimum number of subrecipient monitoring reviews in federal fiscal year 2012 for the Child and Adult Care Feeding Program (CACFP), CFDA #10.558. Although Health reviewed 33.3 percent of its subrecipients in federal fiscal year 2012, it did not meet the requirement to review all sponsors once every three years. Additionally, Health's subrecipient monitoring tracking document was missing 19 active subrecipients.

Criteria

USDA federal regulation 7 CFR § 226.6(m) requires Health in each federal fiscal year to review 33.3 percent of all of its subrecipients as well as any subrecipients that have not been reviewed in the past 3 years.

Consequence

Insufficient review by Health increases the risk of program non-compliance at the subrecipient level. In addition, having an incomplete tracking document increases the possibility of missing reviews for the subrecipients not listed. The Commonwealth, through Health, is liable to the federal government for any funds that program subrecipients do not use according to program regulations.

Cause

Due to staffing issues and significant turnover within the Division of Community Nutrition, Health was not able to complete the minimum number of reviews. Also, Health's tracking list of subrecipients was not complete, which prevented some subrecipients from being reviewed within the required three-year period. Health returned to the federal government \$289,612 or 53.7% of the amount allocated by the USDA to Virginia for completing subrecipient reviews.

Recommendation

Health should ensure all subrecipients are reviewed on a three-year basis and improve their tracking document to make sure it is complete. Health should also maintain adequate staffing levels to ensure that subrecipient reviews are being performed according to grant requirements.

Review Subrecipient Single Audit Reports and Issue Management Decisions - CACFP

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Health is not reviewing single audit reports for all subrecipients of the Child and Adult Care Feeding Program (CACFP), CFDA #10.558. Health does not request audit reports from all entities that receive less than \$500,000 from CACFP, even if the subrecipient received a single audit. As a result, staff cannot review all subrecipient audit reports for related audit findings.

Also, Health does not compare any subrecipient audited Schedule of Expenditures of Federal Awards (SEFA) to Health's internal accounting records to ensure pass-through funds are properly identified for audit. For related audit findings, if any, Health does not have a policy to issue official management decisions to its subrecipients.

Criteria

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart D-Federal Agencies and Pass-Through Entities § .400 Responsibilities, (d) Pass-through entity responsibilities, (4), (5), and (6), which are:

- (4) Ensure that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
- (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.
- (6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.

Consequence

Insufficient review of single audit reports by Health increases the possibility of Health not detecting non-compliance or internal control issues at its subrecipients. Subrecipients that do not properly identify federal expenditures, or exclude amounts on their SEFA, increase the risk that Health cannot rely on the subrecipient single audit. Furthermore, inadequate review of single audit reports prevents Health from knowing if a subrecipient's audit necessitates adjustments to Health's own records.

Without Health issuing a management decision and following up on any related audit findings, subrecipients would not know if their corrective actions are appropriate. In addition, some subrecipients may elect not to take corrective action without guidance from Health.

Cause

Management at Health was not aware of their responsibilities of comparing the subrecipient SEFA to internal accounting records. Until recently there was not sufficient agency-wide guidance regarding subrecipient monitoring. Also, according to management, the Office of Family Health Services, which administers CACFP, experienced high turnover.

Recommendation

Health's management should designate staff to review subrecipient single audits and SEFAs to ensure compliance with OMB's Circular A-133 § .400(d)(4-6).

Improve Controls over Federal Reporting - CACFP

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Health does not have sufficient controls in place to ensure accurate federal reporting for the Child and Adult Care Feeding Program (CACFP), CDFA #10.558. Health discovered an error when asked to substantiate a number on the quarterly FNS-777 report submitted to the United States Department of Agriculture (USDA). Additionally, Health is unable to provide evidence that all submitted federal reports are reviewed by management prior to submission.

Criteria

Line 13 on the FNS 777 report states, "I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents." By submitting and signing the report, Health is certifying that their report is complete and correct. In addition it is a management best practice to review all reports for accuracy before they are submitted to the federal government.

Consequence

The lack of a review process increases the risk of inaccurate reporting due to human error. Inaccurate federal reports must be resubmitted, creating operational inefficiencies.

Cause

According to management, due to significant understaffing and high turnover within the Office of Family Health Services' Division of Administration there has not been a separate review of all federal reporting. In addition, Health has no policies that require a sufficiently detailed review of federal reporting by management prior to submission.

Recommendation

For all amounts reported to the federal government, Health should maintain a full and complete audit trail to supporting records. Additionally, Health should implement policies and procedures that require a detailed and documented review of federal reports prior to submission.

Complete Federal Funding Accountability and Transparency Act Reporting - CACFP

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Health has not submitted timely Federal Funding Accountability and Transparency Act (FFATA) reporting for the Child and Adult Care Feeding Program (CACFP), CDFA #10.558. Currently Health has only submitted FFATA data through the month of October 2012.

Criteria

FFATA and 2 CFR § 170 requires Health to submit FFATA reporting no later than the month following the month in which Health awards \$25,000 or more in federal funds to a subrecipient.

Consequence

Not complying with FFATA and corresponding regulations limits the federal government and taxpayers' ability to know which entities are receiving federal funds through Health.

Cause

According to management, due to significant understaffing and high turnover within the Office of Family Health Services' Division of Administration, Health has been unable to complete the FFATA reporting.

Recommendation

Health should complete FFATA reporting as required. Management should also develop written procedures for the accounting staff to ensure continuing compliance during staffing changes.

Establish Corrective Actions for Federal Findings - WIC

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Health has not established plans or taken actions to address 7 open findings identified by the United States Department of Agriculture (USDA). USDA's State Technical Assistance Reviews (STAR) of CFDA #10.557 - Supplemental Nutrition Program for Women, Infants, and Children (WIC) that took place between September 2011 and July 2012 identified 7 findings which remain open.

Criteria

OMB's Circular A-133 § .300(c) requires auditees to maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Consequence

Not establishing plans or taking actions to correct the findings from the USDA indicates a weak control environment, which increases the risk of non-compliance. Within the STAR evaluations, USDA indicates that they could establish a claim against Health due to findings of non-compliance. At the time of this report, no such claims were known.

Cause

Due to the lack of a strong control environment, there was no prompt response to the USDA findings. In addition, WIC program management did not involve Health's Director of Internal Audit in the external review process as required by Health's Internal Audit Policy IA#1.02. As a result there was no oversight of the resolution of findings.

Recommendation

Health's management should promptly develop and submit corrective action plans to the USDA for all open STAR findings. To ensure findings are resolved, management should also designate responsible parties for each corrective action and commit to a timeline for resolution and compliance.

Improve WICNET Controls over Eligibility - WIC

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Health does not have adequate controls in place in the WICNET system to provide assurance that all eligibility requirements for the 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) are being satisfied. Within the month sampled, we found examples of the following:

- I. A non-Virginia resident receiving WIC benefits;
- II. No description of the documentation that was used to prove of residence for some recipients;
- III. No documentation of the nutritional risk conditions that established eligibility;
- IV. Participants with certification periods longer than the maximum allowed; and
- V. No documentation of the competent professional authority (CPA) that made the nutritional risk determination that established eligibility.

Criteria

According to Special Supplemental Nutrition Program for Women, Infants, and Children, 7 C.F.R. (1985) requirements exist in the following areas:

- I. § 246.7 (c)(1) To qualify for the Program, infants, children, and pregnant, postpartum, and breastfeeding women must: (i) Reside within the jurisdiction of the State.
- II. § 246.7 (i)(4) A description of the document(s) used to determine residency and identity or a copy of the document(s) used or the applicant's written statement when no documentation exists.
- III. § 246.7 (i)(8) The specific nutritional risk conditions which established eligibility for the supplemental foods. Documentation should include health history when appropriate to the nutritional risk condition, with the applicant's or applicant's parent's or caretaker's consent.
- IV. § 246.7 (g) Certification periods.
- V. § 246.7 (i)(9) The signature and title of the competent professional authority making the nutritional risk determination, and, if different, the signature and title of the administrative person responsible for determining income eligibility under the Program.

(Continued on page 13)

Improve WICNET Controls over Eligibility

New Finding

Compliance and Internal Controls

Significant Deficiency

(Continued from page 12)

Consequence

Not implementing adequate WICNET system controls could result in ineligible recipients receiving benefits and incurring questioned costs. Also, by not documenting required components of the eligibility determination process Health could incur questioned costs.

Cause

- I. According to management at Health, at the time of the audit, the control within the WICNET system designed to stop benefits for individuals with addresses outside of Virginia was based on a table of allowable zip codes. Instead of testing the recipient's address for "VA", the control compared their zip code to the approved listing of zip codes. Because some zip codes on this table are outside of Virginia, this control will not stop recipients from receiving benefits if they live in one of the approved zip codes.
- II. Due to a critical error in the system, management made the decision to remove the requirement to type in proof of residency information for all WIC participants that transfer from other states.
- III. Due to a system error, WICNET created new certifications for certain participants and did not require nutritional risk information to be entered.
- IV. The certification lengths in question were modified by help-desk employees. Due to a lack of reasonable support for the changes made to certification length, these certifications could not be substantiated as allowable.

- V. Due to WICNET's design, the system does not maintain a reliable data field that identifies the CPA involved in each certification.

Recommendation

We recommend that:

- I. Health implement controls to ensure that all participants in the Virginia WIC program are residents of Virginia;
- II. Health ensure that a description of the documentation that it used to prove of residence is retained for all participants;
- III. Health ensure that all certifications for participants have the nutritional risks documented with the certification;
- IV. Health ensure that all certification periods are within the allowable limits; and
- V. Health ensure that the signature of the CPA making the nutritional risk determination is documented for each certification.

In addition to the specific items above, Health should establish controls to ensure that changes made to the eligibility record by the help desk are reasonable and develop a process to monitor these changes. Also, Health should ensure that any changes to the WICNET system's business rules or edits be evaluated to ensure that no critical controls over eligibility will be eliminated.

As Health replaces the current WICNET system with the new Crossroads WIC system, Health should ensure that the new system has controls in place that meet the eligibility compliance requirements as noted above. Health's management should also implement ongoing processes to test these controls and others over eligibility requirements to ensure the system is working as intended.

Review Subgrantee Single Audit Reports and Schedules of Expenditures of Federal Awards - WIC

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Health is not reviewing single audit reports for subrecipients of the Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA #10.557. Health receives single audit reports from its subrecipients; however, staff do not document their review of the audit reports for related audit findings or the Schedule of Expenditures of Federal Awards (SEFA). As a result, Health does not compare the subrecipient audited SEFA to Health's internal accounting records to ensure pass-through funds are properly identified for audit. For related audit findings, if any, Health does not have a policy requiring timely issuance of official management decisions to its subrecipients.

Criteria

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart D-Federal Agencies and Pass-Through Entities § .400 Responsibilities, (d) Pass-through entity responsibilities, (4), (5), and (6), which are:

(4) Ensure that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year;

(5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action; and

(6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.

Consequence

Insufficient review of single audit reports by Health increases the possibility of Health not detecting non-compliance or internal control issues at its subrecipients. Subrecipients that do not properly identify federal expenditures, or exclude amounts on their SEFA increase the risk that Health cannot rely on the subrecipient single audit. Furthermore, not adequately reviewing single audit reports prevents Health from knowing if a subrecipient's audit necessitates adjustments to Health's own records.

Without Health issuing a management decision and following up on any related audit findings, subrecipients would not know if their corrective actions are appropriate. In addition, some subrecipients may elect not to take corrective action without guidance from Health.

Cause

Management at Health was not aware of their responsibilities of comparing the subrecipient SEFA to internal accounting records. Until recently there was not sufficient agency-wide guidance regarding subrecipient monitoring. Also, according to management, the Office of Family Health Services has experienced high turnover.

Recommendation

Health's management should designate staff to review subrecipient single audits and SEFAs to ensure compliance with OMB's Circular A-133 § .400(d)(4-6). Health should also designate the responsibility of issuing management decisions on related subrecipient audit findings.

Improve Controls over Federal Reporting - WIC

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Health does not have sufficient controls in place to ensure accurate federal reporting for the Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA #10.557. Health is unable to provide support for a reported amount on the annual FNS-798 report submitted to the United States Department of Agriculture (USDA). Additionally, Health is unable to provide evidence that all federal reports are reviewed by management in sufficient detail prior to submission.

Criteria

Health is required by 7 CFR § 246.25 to maintain full and complete records concerning program operations. In addition, it is a best practice to create an audit trail of review before submitting reports to USDA.

Consequence

Lack of a reporting review process increases the risk of inaccurate reporting due to human error, as discovered on the FNS-798 report. Inaccurate federal reports must be resubmitted, creating operational inefficiencies.

Cause

According to management, due to significant understaffing and high turnover within the Office of Family Health Services' Division of Administration there has not been a separate review of all federal reporting. In addition, Health has no policies that require a review of federal reporting in sufficient detail by management prior to submission.

Recommendation

For all amounts reported to the federal government, Health should maintain a full and complete audit trail to supporting records. Additionally, Health should implement policies and procedures that require a detailed and documented review of federal reports prior to submission.

Complete Federal Funding Accountability and Transparency Act Reporting - WIC

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Health stopped reporting financial information required by the Federal Funding Accountability and Transparency Act (FFATA) for CFDA #10.557-Supplemental Nutrition Program for Women Infants and Children (WIC).

Criteria

FFATA and 2 CFR § 170 require Health to report certain information to the federal government for awards of federal funds that Health makes to sub-recipients.

Consequence

There was no FFATA reporting completed for WIC in federal fiscal year 2013. Not complying with FFATA and corresponding regulations prevent the federal government and taxpayers from knowing which entities are receiving federal funds through Health.

Cause

Due to significant turnover within the Office of Family Health Services' Division of Administration and insufficient procedures on FFATA reporting, new employees were unaware of the requirement to compile and submit the necessary subaward data to the federal government.

Recommendation

The Division of Administration within OFHS should complete FFATA reporting. Management should also develop written procedures for the accounting staff to ensure continuing compliance during staffing changes.

Improve Oracle Database Security

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Health does not implement certain controls in its WICNET Oracle database that contains sensitive information. We identified a weakness in control that we communicated to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms.

Criteria

The Commonwealth Information Security Standard, SEC 501-07.1, requires implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability.

Consequence

Health cannot ensure confidentiality, integrity, and availability for the WICNET Oracle database.

Cause

Health did not adequately manage or establish appropriate information security controls for its WICNET Oracle database.

Recommendation

Health should dedicate the necessary resources to implement the controls discussed in the communication marked FOIA-Exempt in accordance with the Commonwealth Information Security Standard, SEC 501-07.1.

Communicate Responsibilities for ADAP

Inventory and Properly Report

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Health does not maintain a written agreement with the Alexandria and Fairfax Health Districts regarding their storage of AIDS Drug Assistance Program (ADAP) drug inventory that belongs to Health. Additionally, Health did not initially properly report inventory at these two health districts to the Department of Accounts.

Criteria

Department of Accounts Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 30515 requires agencies to maintain control, care, and security of all inventories.

Consequence

Not maintaining written agreements with health districts regarding the use, control, care, and security of inventory could result in miscommunication regarding asset ownership. In the case of misuse of federal inventories, this could result in questioned costs. In addition, not formalizing the agreement with the health districts could result in insufficient monitoring of drug inventory by Health.

Cause

The Health District pharmacies were previously owned and operated by Health. At that time, no agreement was necessary. Now that the pharmacies are funded and operated by the localities, no agreements were created to describe the localities' responsibilities for ADAP drug inventory.

Recommendation

Health should develop and execute a written agreement with any districts possessing Health's ADAP inventory. Health should ensure these agreements describe the allowable uses, required controls, and reporting of the ADAP drugs.

Promptly Remove WebVision Access for Separated Users

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Health did not remove the access to the WebVision system for two users in a timely manner. The two users retained their access for 6 and 15 business days after separating from Health.

Criteria

Commonwealth Information Security Standard SEC 501-7.1, AC-2 Account Management, requires: "Notifying account managers...when information system users are terminated, transferred, or information system usage or need-to-know/need-to-share changes." Also, for all internal systems, SEC 501 states that each agency shall "[p]romptly remove access when no longer required."

Consequence

Users retaining system access after separation, increase the risk of unauthorized transactions.

Cause

According to Health, each health district has a Web-Vision Account Administrator that is responsible for the approval, creation, and deletion of local accounts. However, some of the local districts have experienced significant turnover and are in need of additional training to reiterate this policy.

Recommendation

Health should implement a system to track the periodic certifications of user access from local health districts and provide training to the local business managers on Health's policies for the timely termination of system access.

Develop Workable Solutions to Maintain Appropriate Balance of Internal Controls

New Finding

Compliance and Internal Controls

Material Weakness

Condition

The Information Security Officer (ISO) at the Virginia Department of Social Services (Social Services) is not maintaining the appropriate detective controls to determine what users with elevated levels of access are doing within the Application Benefit Delivery Automation Project (ADAPT) system.

Criteria

The Commonwealth Information Security Standard, SEC 501-07.1 Section 2.5.4, requires that the ISO implement and maintain the appropriate balance of preventative, detective and corrective controls for agency information technology systems commensurate with data sensitivity, risk, and systems criticality.

Consequence

ADAPT is the case management system for the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), and Medicaid programs. Without the ISO maintaining the appropriate detective controls to determine what users with elevated levels of access are doing within ADAPT, management cannot assure itself that unauthorized transactions did not take place.

Cause

During the period under review, the Secretary of Health and Human Resources tasked the Department of Medical Assistance Services (Medical Assistance Services) to perform a project to determine if discrepancies in information critical to eligibility determination existed between the Commonwealth's different case management systems. While performing this project, Medical Assistance Services

identified several discrepancies between the systems. As a result, Social Services then tasked several employees to update information in ADAPT.

When granting access to ADAPT, management elected to give these individuals access allowing them to make updates within the application. The access granted allowed these employees to override the eligibility determination rules, and make updates directly to the supporting database. While the ISO originally objected to providing these individuals with this level of access, the access was later granted without any compensating controls.

The ISO has a mechanism to track the actions of database administrators, which have capabilities similar to the employees in question within ADAPT. Therefore, the ISO had the ability to track what these users were doing in ADAPT. However, even though these employees could override management's controls, the ISO did not review what tasks these users were performing because the listing of cases authorized to be updated was not provided to the Division of Information Technology. Therefore, the ISO could not develop an expectation as to what would be considered a reasonable modification.

Recommendation

Going forward, the Divisions within Social Services which authorize users to have elevated levels of access should work with the ISO to ensure enough information is provided to implement detective controls. By doing such, the ISO will be able to assure the Commissioner that Social Services' systems are properly secured and that information has not been incorrectly altered.

Perform Health and Safety Inspection as Required

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Social Services is not performing the required number of health and safety inspections annually, as required for all Child Welfare Agencies.

Criteria

In order to receive money from the Child Care and Development Fund, Social Services must certify to the federal government that procedures are in effect to ensure that providers serving children who receive subsidies comply with all applicable health and safety requirements, Health and Safety Requirements, 45 C.F.R. §98.41(d) (2012). As part of its procedures, Social Services is required to inspect all licensed Child Welfare Agencies at least twice annually as prescribed by the Code of Virginia §63.2-1706 C.

Consequence

While the Regional Licensing Offices implemented procedures to ensure high risk Child Welfare Agencies were inspected, some lower risk agencies were not inspected as required. Social Services reported that it missed its goal of inspecting all Child Welfare Agencies to the Council on Virginia's Future, which presented this information on the Virginia Performs website.

Cause

According to management, Regional Licensing Offices in Northern Virginia experienced an increase in caseload and employee turnover. As a result of the time it took to hire and train new employees, nine percent of the required health and safety inspections were not performed.

Recommendation

We recommend the Division of Licensing within Social Services continue to monitor its Regional Licensing Offices and develop action plans to confirm that all Child Welfare Agencies are inspected twice annually. In addition, Social Services should work with the Secretary of Health and Human Resources to confirm authorization for the hiring of vacant positions is granted in a timely manner. By doing such, Social Services will be able to maintain continuity for performing licensing inspections and comply with the provisions outlined within the Code of Virginia.

Improve Oracle Database Security

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Social Services does not properly protect certain aspects of the Oracle Database Management System (DBMS) that supports the Financial Accounting Analysis System (FAAS). FAAS contains sensitive information, such as financial records and personally identifiable information. We identified three weaknesses in controls that we communicated to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms.

Criteria

The Commonwealth Information Security Standard, SEC 501-07, Section AC-6 requires, and the Center for Internet Security (CIS) Oracle 11g Database best practices recommends, implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability.

Consequence

Social Services does not have a properly established baseline for the installation and management of the Oracle E-Business Suite (EBS) database. While, in most cases, the Oracle E-Business Suite (EBS) Security Configuration Guide provides proper guidance, certain criteria in this baseline do not adhere to Commonwealth Information Security Standard, SEC501-07, and is considered a risk to the Commonwealth's and Citizens' data if not implemented.

Cause

The first weakness identified resulted from a lack of coordination between the Information Security Office and the FAAS System Owner in order to ensure that security reviews are being performed for accounts with elevated privileges. The second weakness identified was the result of Social Services securing the FAAS database based on a configuration guide that does not meet the requirements in Commonwealth Information Security Standard SEC501-07. The third weakness identified was the result of an oversight of a setting that did not comply with Social Services' security policy.

Recommendation

Social Services should dedicate the necessary resources to implement the controls discussed in the communication marked FOIA-Exempt and implement a baseline installation guide aligned with Commonwealth Information Security Standard, SEC501-07.

Implement and Improve Change Management Process for Sensitive Applications

Repeat Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Social Services does not have certain change management procedures and/or policies established for specific systems containing sensitive data. We identified three weaknesses in controls that we communicated to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms.

Criteria

The Commonwealth Information Security Standard, SEC 501-07, Section 8.5.CM-1, requires agencies to establish change management controls so that changes to the Information Technology (IT) environment do not compromise security controls. Several best practices, such as ITIL and COBIT, provide guidance on establishing a comprehensive change management framework.

Consequence

Social Services' staff is able to initiate changes to critical information and/or systems without proper documentation, preventing Social Services management from properly ensuring that changes made to these systems and their information is performed safely and within established procedures. While Social Services currently exhibits proper change management procedures in practice, developing a formal change management policy for specific systems will ensure consistency through the change management process and prevent errors in application coding and data flow and ensure data availability.

Cause

Social Services has not been able to implement central change management policies and procedures because of resource allocation and availability.

Recommendation

We recommend that Social Services develop and implement central policies governing the change management practices for all systems within the organization. Having one set of policies will create consistent expectations for how changes will be performed and controlled in the future. Management should dedicate the necessary resources to document the required minimum policies and procedures for making changes to all IT systems and monitor compliance.

Review User Accounts and Privileges for Mission Critical Systems

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

For several mission critical systems, management at Social Services is not reviewing, as required, user accounts and privileges for reasonableness.

Criteria

The Commonwealth Information Security Standard, SEC 501-07.1, Section 8.1.AC-2(j), requires that agencies review user accounts and privileges annually.

Consequence

Social Services uses the Automated Program to Enforce Child Support (APECS) system to manage the Child Support Enforcement Program, Energy Assistance System (EAS) to manage the Low Income Household Energy Assistance Program, and the Online Automated Services Information System (OASIS) to manage the Foster Care and Adoption Assistance programs. Collectively, these systems are used to manage approximately \$841 million in payments. Without reviewing user accounts and privileges annually, Social Services cannot confirm that user access is current and reasonable based on the user's job responsibilities. In effect, this increases Social Services' risk of unauthorized transactions taking place within these systems.

Cause

Social Services has not performed annual access reviews for several of its mission critical systems because it lacks a policy communicating the responsibility to review access and a process for to supplying system owners and employee managers with a listing of user access privileges.

Recommendation

We recommend that Social Services develop a mechanism to supply system owners and employee managers with a listing of user accounts and their privileges. Thereafter, Social Services should develop a plan to ensure that all mission critical systems are reviewed annually. By meeting this requirement of the Commonwealth Information Security Standard, Social Services will be able to ensure that user accounts and privileges are current and reasonable.

Reduce the Time it Takes to Match Payments to Case Records

Repeat Finding

Compliance and Internal Controls

Significant Deficiency

Condition

The Division of Family Services (Family Services) within Social Services has fallen approximately eighteen months behind in reviewing Local Departments of Social Services' (Local Departments) case records to ensure payments are made to only eligible children enrolled in the Foster Care program.

Criteria

Code of Federal Regulations (45 CFR1356.71 (f) (2012)) states that the case record of the child must contain sufficient documentation to verify a child's eligibility in order to substantiate payments made on the child's behalf.

Consequence

Without performing its supervisory function in a timely manner, Family Services is increasing the risk that Local Departments are not properly preparing Foster Care cases to support payments. In effect, this increases the Commonwealth risk of having to repay Foster Care funds to the federal government.

Cause

Local Departments use the statewide system, the Online Automated Services Information System (OASIS) to manage their portion of the Foster Care program; however, corresponding payments are made out of their own local disbursement system. Because payments are made by the Local Departments, the statewide OASIS system was not designed to maintain a payment record for each individual. To overcome this limitation, Social Services requires each Local Department to reconcile their

payment records to the eligibility records in OASIS and certify that only eligible recipients are receiving payments.

To exercise its supervisory responsibility, Social Services has Family Services review the documentation supporting Local Departments' certifications. This is done to confirm that the certification statements are accurate and the posting of any necessary revisions. However, Family Services has fallen approximately eighteen months behind due to the labor intensive nature of its review.

Recommendation

Recently, Family Services has started collecting information from its Local Departments to prepare for a Title IV-E Foster Care review being performed by the federal government. To prepare for the federal review, Social Services has collected electronic payment records from Local Department's for select recipients. The electronic payment records contains unique fields which can be matched to OASIS. We recommend that Family Services evaluate if information, similar to what the federal government uses, could be used to electronically match the Local Departments' payment records to OASIS records to validate that only eligible recipients are receiving payments.

Ensure the New Eligibility System is Properly Handling Cases Transferred from the Old System

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Social Services' eligibility system, VaCMS, did not discontinue the State's approval for five cases to get benefits under the Child Care and Development Program after the children were no longer eligible.

Criteria

Title 45, Section 98.20 of the Code of Federal Regulations states that a "Children must be under age 13 (or up to age 19, if incapable of self-care or under court supervision), who reside with a family whose income does not exceed established standards..." in order to receive benefits under the Child Care Program.

Consequence

If Social Services does not correct this issue, the risk of improper payments and noncompliance with eligibility requirements will increase.

Cause

During our test of all cases, we discovered three cases where the participating child's thirteenth birthday had passed, but VaCMS still had the child approved for child care benefits. In two of the cases discovered, between six and forty days elapsed between the date of the child's thirteenth birthday and the removal of approval. In the third case, VaCMS had the child recorded as approved for benefits until the date of our discovery. We also discovered two cases where the participating child was reported to be outside the home and did not intend to return, but VaCMS still had the child approved for child care benefits. In one of these cases, a payment of less than \$200 was made after the child was reported to be outside the home in the following fiscal year.

To prevent children from receiving child care services who are ineligible, Social Services relies on VaCMS to automatically discontinue the individual's eligibility when they age out of the program or are reported to be outside the home. VaCMS was designed to automatically suspend benefits in these instances; however, this capability is not working as intended for certain cases.

Recommendation

Social Services should perform an assessment of the system to ensure it is performing as desired. For any exceptions Social Services should implement system changes to make the eligibility system function as intended. By doing so, Social Services will mitigate the risk of improper payments and noncompliance.

Automate an Eligibility Control

New Finding

Internal Controls

Significant Deficiency

Condition

End users are not running the external rules engine process for eligibility determination when they update critical information, which is causing ineligible individuals to continue receiving benefits from the Social Services.

Criteria

Social Services' existing case management system, ADAPT, requires the end user to manually run the eligibility determination/benefits calculation process (EDBC) each time updates are made to a case. EDBC is when the case information is run through an external rules engine and determines eligibility for the associated individuals in the Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance (SNAP), and Medicaid Programs. Case workers are required to run this process each time they update information critical to determining eligibility.

Consequence

We found eight instances in which new eligibility information entered into the system should have caused benefits to discontinue, but without running the EDBC process, Social Services did not suspend the case.

Cause

End users of ADAPT are not running EDBC after they update information critical to determining eligibility. According to management, some end users are not choosing to run the EDBC because there is a processing cost to the department each time the process is run.

Recommendation

Social Services should identify which eligibility updates they would always want to run EDBC. Thereafter, Social Services should perform a cost-benefit analysis to determine if the benefits of implementing automated EDBC would outweigh the cost. By doing so, Social Services will mitigate the risk of improper payments created by case workers not running EDBC. Additionally, Social Services is currently undergoing a project to replace ADAPT with the Virginia Case Management System (VaCMS). The current project does not specify that the eligibility determination process should be automated with each update affecting eligibility, which Social Services should consider.

Social Services should perform an assessment of the system to ensure it is performing as desired. For significant exceptions Social Services should implement system changes to make the eligibility system function as intended. By doing so, Social Services will mitigate the risk of improper payments and noncompliance.

Department of Behavioral Health and Developmental Services

Improve SQL Server Database Security

New Finding

Compliance and Internal Controls

Material Weakness

Condition

The Department of Behavioral Health and Developmental Services (Behavioral Health) does not implement certain controls in its Financial Management System (FMS II) SQL database that contains sensitive information. We identified 13 weaknesses in controls that we communicated to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms.

Criteria

The Commonwealth Information Security Standard, SEC 501-07.1, requires implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability.

Consequence

Behavioral Health cannot ensure confidentiality, integrity, and availability for the FMS II SQL database.

Cause

Behavioral Health did not adequately manage or establish appropriate information security controls for its FMS II SQL database.

Recommendation

Behavioral Health should dedicate the necessary resources to implement the controls discussed in the communication marked FOIA-Exempt in accordance with the Commonwealth Information Security Standard, SEC 501-07.1.

Department of Behavioral Health and Developmental Services

Remove Access Promptly Upon Employee Termination

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Behavioral Health is not removing user access promptly upon employee separation for three critical systems. Our review found the following:

- I. Behavioral Health did not deactivate access for 13 of the 19 eVA users that separated during the fiscal year in a timely manner. One employee retained system access for 708 days after termination. The remaining twelve exceptions on average were not deactivated for 161 days.
- II. Behavioral Health did not remove AVATAR access in a timely manner for eight separated employees. After separation, four individuals retained their access between 13 and 38 days. Another three retained their access between 64 and 72 days and one retained their access for 142 days.
- III. Behavioral Health did not remove Commonwealth Accounting Reporting System (CARS) access in a timely manner for four separated employees. One individual had CARS access 17 days after separation and another three retained their access between 75 and 84 days after separation.

Criteria

The Commonwealth Information Security Standard SEC 501-07.1, AC-2– COV, 2.e-f, requires the prompt removal of system access for terminated or transferred employees.

Additionally, the eVA Electronic Procurement System Security Standards section 2.8, issued by the Department of General Services requires all system privileges shall be deactivated when the requirement for access no longer exists.

Cause

Separation procedures are not operating effectively to identify and remove unnecessary access to eVA, AVATAR, and CARS upon employee separation. Additionally, management has not developed a process for periodically reviewing eVA, AVATAR, and CARS systems for separated employees with user access.

Consequence

Untimely removal of user access increases the risk of unauthorized individuals inappropriately entering or approving transactions, which could affect the integrity of affected systems. Additionally, eVA is a web-based application accessible anywhere, allowing the possibility for terminated employees to access eVA outside of the office. This makes eVA even more susceptible to unauthorized use.

Recommendation

Behavioral Health should evaluate separation procedures to ensure communication channels and security protocols are in place to identify and remove access to critical systems upon termination. Behavioral Health should train employees on any changes to separation procedures and develop a periodic monitoring mechanism to identify separated employees with access to critical systems.

Department of Behavioral Health and Developmental Services

Record Capital Outlay Budgets and Expenditures in GCPay as Required

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Behavioral Health is not recording its capital outlay budgets and expenditures in GCPay for projects that use pooled funds from debt issuance.

Criteria

The Commonwealth of Virginia's Construction and Professional Services Manual, Section 3.2.4.1.1, mandates that GCPay be used for all pool-funded projects financed through the Six-year Capital Outlay Plan Advisory Committee.

Consequence

The Department of Treasury uses past costs and budget estimates to anticipate when debt issuances will need to occur to have the cash available to pay capital project expenditures. If agencies do not report budgets and expenditures centrally into GCPay, Treasury may not issue enough debt to cover the Commonwealth's costs, and Behavioral Health may not have the funds needed to pay their contractors.

Cause

Behavioral Health decided to limit its use of GCPay to prevent additional costs. Per the Office of Architecture and Engineering services, Behavioral Health must print and process some pay requests using GCPay because some contractors do not have the capabilities to use GCPay. Contractors are charged \$175 for each payment manually processed through GCPay, and the contractor passes this cost to Behavioral Health.

Recommendation

Management at Behavioral Health should use GCPay as required by General Services and Treasury for all pooled fund capital projects supported by debt to ensure that funds are available to pay contractors.

Department of Medical Assistance Services

Improve Oracle Access Controls

New Finding

Compliance and Internal Controls

Material Weakness

Condition

The Department of Medical Assistance Services (Medical Assistance Services) did not identify the activities of the system administrator for its Oracle Governmental Financials Accounting System as an auditable event to be logged. Additionally, the system administrator user ID and password for this system is shared by three users.

Criteria

Commonwealth Information Security Standard, SEC 501-07, Section 8.3, requires agencies to identify events which need to be auditable as significant and relevant to the security of the information system. Additionally, agencies must review and update their list of auditable events at least once a year. Finally, SEC 501-06, Section 5.3.2, requires the use of a non-shared and a unique password on each account on IT systems classified as sensitive.

Consequence

As a result of not identifying system administrator's activities within its Oracle Governmental Financials Accounting System as an auditable event, Medical Assistance Services is not logging or monitoring the activity associated with the system administrator user ID. By not logging or monitoring the associated activities with this user ID, management is limited in its ability to detect unauthorized or possibly fraudulent activity. User IDs with elevated privileges, such as system administrator, have the ability to alter information without adhering to application controls. Additionally, allowing system administrators to share a user ID and password eliminates management's ability to identify which individual initiated system activity and hold them accountable.

Cause

Not identifying the activities of the system administrator as an auditable event was the result of a lack of coordination between system owners and the Database Administrators and knowledge of the capabilities of the Oracle Governmental Financials Accounting System that allow for activity logging. The sharing of User IDs and passwords was the result of employees not following security standards.

Recommendation

Management should evaluate if activities of its system administrators should be auditable. If their activities are significant and relevant to the security of the information system, management should implement the audit logging functionality of the Oracle Governmental Financials Accounting System in order to properly monitor user activities. Ideally, audit trails should be automatically transferred to an external log server or written to an area of the Oracle Governmental Financials Accounting System that is inaccessible to System Administrators. Management should assign someone outside of the System Administrator group to review and maintain the system audit logs. Additionally, management should assign different user ids and passwords to each of the systems administrators.

Improve Access Management to the Medicaid Management Information System

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Medical Assistance Services does not require Social Services to perform annual reviews of their Medicaid Management Information System (Medicaid Management System) users. In addition, the annual review of Medical Assistance Services' users only includes a review of employees who are newly hired, separated or transferred; it does not include a review of the access and privileges for all other employees who have access to the Medicaid Management System.

Criteria

The Commonwealth Information Security Standard, SEC 501-07.1, Section 8.1.AC-2(j), requires that agencies review user accounts and privileges annually.

Consequence

The Medicaid Management System is used to update Medicaid eligibility information and it is used to process Medicaid claims that total approximately \$7 billion. Without reviewing user accounts and privileges annually, Medical Assistance Services and Social Services cannot confirm that user access is current and reasonable based on the user's job responsibilities. This increases the risk of unauthorized users being able to access and make changes to protected health information within the system.

Cause

Medical Assistance Services does not include a requirement in their Interagency Agreement with Social Services to require Social Services to perform an annual review of their system users. Additionally, Medical Assistance Services lacks procedures and processes to review all of its employees' user accounts and privileges of the Medicaid Management System as required.

Recommendation

Even though access to the Medicaid Management System is suspended for inactive users, we recommend that Medical Assistance Services develop a mechanism to supply system owners and employee managers with a listing of user accounts and their privileges in order to review accounts and privileges annually as required. We also recommend that Medical Assistance Services update the Interagency Agreement with Social Services to include an annual review of Medicaid Management System users. This will enable Medical Assistance Services to ensure that user accounts and privileges are current and reasonable.

Department for Aging and Rehabilitative Services

Implement Corrective Actions to Improve Financial Reporting Controls

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

The Department for Aging and Rehabilitative Services (Aging and Rehabilitative Services) was found by the Department of Accounts (Accounts) during its Quality Assurance Review not to have adequate policies, procedures, and controls over their financial reporting process and not to be in compliance with the Commonwealth's accounting policies and Comptrollers' Directives.

Criteria

Agencies should have adequate policies, procedures, and controls over their financial reporting process and be in compliance with the Commonwealth's accounting policies and Comptrollers' Directives.

Consequence

Without sufficient policies, procedures, and controls over the financial reporting process, Aging and Rehabilitative Services is at risk of providing incomplete or inaccurate information to Accounts to be used in the process of compiling the Commonwealth's financial statements.

Cause

Aging and Rehabilitative Services does not have sufficient controls and policies and procedures over the financial reporting process and has not complied with instructions on financial reporting directive submissions and the Commonwealth Accounting Policies and Procedures Manual.

Recommendation

Management at Aging and Rehabilitative Services should continue implementing their corrective action plan to fix the deficiencies noted by Accounts. Additionally, management should establish controls to ensure future compliance with the Commonwealth's accounting policies and the Comptroller's Directives.

Department for Aging and Rehabilitative Services

Notify the Department of Accounts of All Protected Personally Identifiable Information

New Finding

Compliance and Internal Controls

Significant Deficiency

Condition

Aging and Rehabilitative Services and the Department for the Blind and Vision Impaired (Departments) did not inform the Department of Accounts (Accounts) that they had uploaded to the Commonwealth Accounting and Reporting System (CARS) client Social Security Numbers, last name, and first initial (personally identifiable information) for 261,669 individuals.

Criteria

Accounts' memorandum to all Fiscal Officers of Agencies and Institutions of Higher Education dated July 13, 2007, titled "Information Not Considered Public Information" required that all agencies notify Accounts of any data in CARS that is restricted from public access by state or federal law.

Consequence

The 261,669 unique records of personally identifiable information in CARS from July 1, 2010, through June 30, 2013, puts the Department of Accounts at risk of disclosing this information to the public. Should this information be disclosed to the public, the Commonwealth would be liable for the costs of informing the public pursuant to the Code of Virginia §18.2-186.6 – Breach of Personal Information Notification. Additionally, there are 21 employees at the Department for Aging and Rehabilitative Services and others at Accounts who have access to CARS, who do not have a business need to view personally identifiable information on the Departments' clients.

Cause

Management did not comply with Accounts' memorandum at the time it was issued and continued to use personally identifiable information in CARS.

Recommendation

Management should ensure Accounts is aware of any personally identifiable information in CARS so this information can be redacted in the event of a Freedom of Information Act request and ensure that going forward, no protected personally identifiable information is contained within their accounting records.

Financial Highlights

Analysis of the Budget Set by the General Assembly to
Administrative Adjustments and Actual Expenditures

Introduction

The 2013 Virginia Acts of the Assembly, Chapter 806, provided a budget of \$12.3 billion for the agencies in the Health and Human Resources Secretariat. During fiscal year 2013, administrative adjustments processed by the agencies and the Department of Planning and Budget increased the Health and Human Resources agencies' budget \$191 million (2 percent), which resulted in an adjusted budget of \$12.5 billion. During fiscal year 2013, agencies in the Health and Human Resources Secretariat spent \$12.1 billion, which resulted in \$397.8 million of their budget being unspent at fiscal year-end.

The table below shows the budget, administrative adjustments, expenditures, and unexpended budget for all Health and Human Resource agencies for each state program. An analysis follows this table discussing the significant administrative adjustments during fiscal year 2013 and unexpended budgets at year-end for all programs that are denoted in bold font below. While some of the unspent budget was the result of multi-year projects, in some instances the Department of Social Services' program budgets do not provide an accurate picture of the federal resources that will be used to provide services.

Greater details about the financial transactions for any of the agencies included in this report are available in Commonwealth Data Point at <http://datapoint.apa.virginia.gov/>.

**Schedule of Original Budget, Administrative Adjustments,
Adjusted Budget, and Expenditures**

<u>Program Title (Dollars in 1,000s)</u>	Original Budget *	Administrative Adjustments		Adjusted Budget**	Expenditures	Unexpended Budget	
Medicaid Program Services	\$ 7,610,298	\$ 81,396	1%	\$ 7,691,694	\$ 7,634,426	\$ 57,268	1%
Child Support Enforcement Services	764,992	7,221	1%	772,213	744,413	27,800	4%
State Health Services	532,296	(4,039)	-1%	528,257	513,549	14,708	3%
Administrative and Support Services	376,846	23,287	6%	400,133	340,201	59,932	15%
Financial Assistance for Local Social Services Staff	375,068	1,200	0%	376,268	362,381	13,888	4%
Financial Assistance for Health Services	347,622	18,916	5%	366,538	321,380	45,158	12%
Protective Services	278,031	(83,992)	-30%	194,039	192,087	1,953	1%
Financial Assistance for Self-sufficiency Programs and Services	264,055	700	0%	264,754	233,551	31,204	12%
Community Health Services	232,203	2,569	1%	234,771	225,693	9,078	4%
Child Welfare Services	172,543	178	0%	172,721	167,519	5,201	3%
Children's Health Insurance Program Delivery	162,328	1,004	1%	163,332	162,232	1,100	1%
Facility Administrative and Support Services	162,240	19,618	12%	181,858	181,475	383	0%
Rehabilitation Assistance Services	128,127	8,280	6%	136,406	122,520	13,886	10%
Medical Assistance Services for Low Income Children	120,287	(293)	0%	119,994	119,292	702	1%
Capital Outlay Projects	98,955	21,413	22%	120,368	64,445	55,923	46%
Financial Assistance for Supplemental Assistance Services	74,772	6,815	9%	81,587	76,417	5,170	6%
Communicable Disease Prevention and Control	53,674	8,619	16%	62,292	61,804	488	1%
Continuing Income Assistance Services	50,697	(2,500)	-5%	48,197	43,072	5,125	11%
Financial Assistance to Community Human Services Organizations	39,626	(211)	-1%	39,415	33,538	5,877	15%
Adult Programs And Services	38,476	(500)	-1%	37,976	33,722	4,254	11%
Emergency Medical Services	36,121	7,488	21%	43,609	39,309	4,300	10%
Program Management Services	34,688	2,726	8%	37,414	33,173	4,241	11%
Rehabilitative Industries	33,539	-	0%	33,539	30,808	2,731	8%
Emergency Preparedness	32,320	(7,019)	-22%	25,301	22,886	2,415	10%
Individual Care Services	31,703	2,032	6%	33,735	31,282	2,453	7%
Secure Confinement	28,822	(4,716)	-16%	24,106	24,106	-	0%
Regulation Of Professions and Occupations	27,219	115	0%	27,334	26,931	403	1%
Drinking Water Improvement	24,847	8,351	34%	33,198	31,808	1,390	4%
Pharmacy Services	23,913	(1,599)	-7%	22,314	21,893	421	2%
Nutritional Services	21,103	(616)	-3%	20,487	19,275	1,212	6%
Financial Assistance for Health Research	20,000	64,225	321%	84,225	75,993	8,232	10%
Regulation of Public Facilities and Services	17,605	1,702	10%	19,308	17,906	1,401	7%
Health Research, Planning, and Coordination	13,871	606	4%	14,477	13,127	1,350	9%
Social Services Research, Planning and Coordination	12,905	23	0%	12,928	11,508	1,420	11%
Pre-Trial, Trial and Appellate Processes	12,384	(1,200)	-10%	11,184	10,351	833	7%
Instruction	11,473	(3,404)	-30%	8,070	7,797	272	3%
Medical Examiner and Anatomical Services	10,429	1,047	10%	11,476	10,786	690	6%
Distribution of Tobacco Settlement	-	11,386	-	11,386	8,829	2,557	22%
Other***	21,632	624	3%	22,256	19,928	2,328	10%
Total	\$ 12,297,708	\$ 191,453	2%	\$ 12,489,161	\$ 12,091,415	\$ 397,745	3%

Source: Commonwealth Accounting and Reporting System

* Original Budget is the budget approved by the General Assembly Chapter 806.

** Adjusted Budget is the original budget plus administrative adjustments that have been processed by the agencies and Planning and Budget.

***See Appendix for programs that make up the other category.

Analysis of Original Budget, Administrative Adjustments, Adjusted Budget, and Expenditures (cont.)

Administrative and Support Services

At the end of fiscal year 2013, \$59 million (15 percent) of the Administrative and Support Services program's budget remained unexpended. Of the \$59 million, the Department of Social Services did not expend \$29.7 million because their original federal appropriation is larger than their estimated revenues. Additionally, Social Services and Planning and Budget administratively increased the federal appropriation at the program level, rather than transferring existing federal appropriation amounts that were available for agency operations. Over the years Social Services' federal appropriation has not been adjusted to reflect the reduction in general fund matching that has occurred as a result of the economic conditions. The Department of Behavioral Health and Developmental Services (Behavioral Health) did not spend \$13 million because the implementation of electronic health records was not completed during fiscal year 2013. Unexpended funds were carried over to fiscal year 2014 to complete this project.

Financial Assistance for Health Services

At the end of fiscal year 2013, \$45 million (12 percent) of the Financial Assistance for Health Services program's budget remained unexpended. Of the \$45 million, the Department of Behavioral Health and Developmental Services—Grants to Localities did not spend \$42 million. These unexpended funds are Department of Justice Trust Funds that will be used to implement the Department of Justice settlement agreement. Unexpended funds are carried over to subsequent years to implement the settlement agreement.

Protective Services

Administrative adjustments reduced the Protective Services program's budget by \$83 million (30 percent). All adjustments impacted the Comprehensive Act for At Risk Youth and Families Services (Comprehensive Services). Consistent with prior year, \$71 million of the reduction was due to funds being transferred from Comprehensive Services to the Department of Medical Assistance Services to pay for Medicaid provider claims for services provided to Comprehensive Services recipients. Funds are budgeted at Comprehensive Services, but expenditures are made by the Department of Medical Assistance Services. As a result of reduced caseloads, the budget was also reduced by \$21 million.

Financial Assistance for Self-sufficiency Programs and Services

At the end of the fiscal year, \$31 million (12 percent) of the Financial Assistance for Self-sufficiency Programs and Services' budget remained unexpended. The Department of Social Services did not spend these funds because their original federal appropriation is larger than their estimated revenues. Additionally, Social Services and Planning and Budget administratively increased the federal appropriation at the program level, rather than transferring existing federal appropriation within Social Services. Over the years Social Services' federal appropriation has not been adjusted to reflect the reduction in general fund matching that has occurred as a result of the economic conditions.

Facility Administrative and Support Services

Administrative adjustments increasing the Facility Administrative and Support Services program's budget \$19 million (12 percent) were made by the Department of Behavioral Health and Developmental Services. The majority of this increase is due to \$14 million of General Funds provided to pay for bonuses and benefit changes.

Capital Outlay Projects

Administrative adjustments increasing the Capital Outlay program's budget \$21 million (22 percent) were made by Behavioral Health. \$10.3 million of the adjustments were made for equipment for Western State Hospital, \$3.4 million was for maintenance reserve projects, and \$2.9 million was for the repair and replacement of the HVAC system at Central State Hospital.

Capital Outlay Projects (cont.)

At the end of fiscal year 2013, \$55 million (46 percent) of the Capital Outlay Project's budget was unexpended. Of this amount, Behavioral Health did not spend \$47 million because capital projects span multiple fiscal years. The capital projects remained incomplete in fiscal year 2013 and are scheduled to be completed in fiscal years 2014 or early 2015.

Communicable Disease Prevention and Control

Administrative adjustments increasing the Communicable Disease Prevention and Control program's budget \$8 million (16 percent) were made during fiscal year 2013. The Department of Health received \$3.3 million of general funds to meet year-end expenditure obligations, \$1.9 million of additional new federal funds, and \$1.1 million was an unbudgeted federal carry forward. All funds were for HIV prevention and treatment services.

Financial Assistance to Community Human Services Organizations

At the end of fiscal year 2013, \$5.8 million (15 percent) of the Financial Assistance to Community Human Services Organizations program's budget remained unexpended. The Department of Social Services did not spend these funds because their original federal appropriation is larger than their estimated revenues. Additionally, Social Services and Planning and Budget administratively increased the federal appropriation at the program level, rather than transferring existing federal appropriation amounts that were available for agency operations. Over the years Social Services' federal appropriation has not been adjusted to reflect the reduction in general fund matching that has occurred as a result of the economic conditions.

Emergency Medical Services

Administrative adjustments increasing the Emergency Medical Services program's budget \$7 million (21 percent) were made by the Department of Health. Motor vehicle license fees funded \$4.8 million which was requested for the Rescue Squad Assistance fund to award grants to local rescue squads. For the Trauma Center Fund, \$2.6 million was requested, which allows for payments to be made to the 14 Trauma Centers. Driver's license reinstatement fees and court fines funded this increase.

Emergency Preparedness

Administrative adjustments decreasing the Emergency Preparedness program's budget by \$7 million (21 percent) were made by the Department of Health. More than half of the reduction, \$5.2 million, was to transfer funds to the Drinking Water Improvement program, Medical Examiner and Anatomical Services program, and the Community Health Services program. This transfer allowed Health to meet fiscal obligations incurred in those other programs.

Drinking Water Improvement

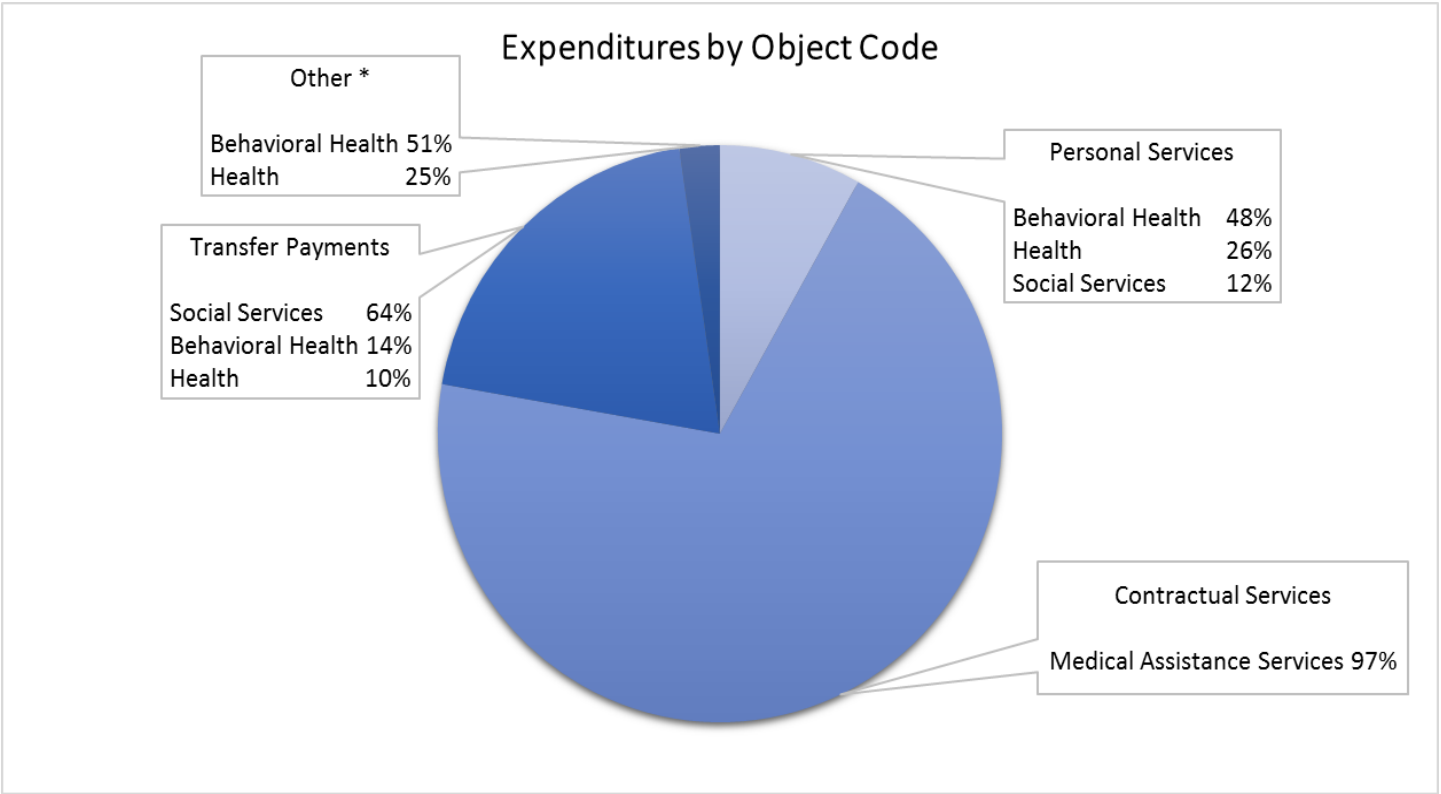
Administrative adjustments increasing the Drinking Water Improvement program's budget \$8.3 million (34 percent) was made by the Department of Health. A transfer of \$3 million was from the Emergency Preparedness program to allow the agency to meet obligations incurred in the Drinking Water Improvement program. To appropriate existing cash balances, a \$2.5 million increase adjustment was made in the Water Supply Assistance Grant Fund. Additionally, \$2 million was transferred from the State Health Services program to allow the agency to meet construction project obligations for the Safe Drinking Water State Revolving Fund.

Financial Assistance for Health Research

Administrative adjustments increasing the Financial Assistance for Health Research program's budget \$64 million (321 percent) were made by the Department of Medical Assistance Services. All of the additional funds were federal funds the agency received to administer the Medicaid Provider Incentive Payment Program, which assists qualifying providers with producing and using electronic health records. At the end of fiscal year 2013, \$8 million (10 percent) of the program's budget remained unexpended because expenditures in this program are subject to provider participation and the reimbursement requests made by those providers.

Analysis of Actual Expenditures by Major Object Code

Contractual services expenses account for \$8.4 billion (70 percent) of the Health and Human Resources agencies' expenditures. The Department of Medical Assistance Services expended 97 percent of the contractual services expenses, most of which were to its fiscal agency, Xerox, for claims processing and enrolling providers. Transfer payments account for \$2.4 billion (20 percent) of the Health and Human Resources agencies' expenditures. The Department of Social Services was responsible for 64 percent of the transfer payments. Most of these payments were for reimbursing Local Departments of Social Services for administering public assistance programs on behalf of the Commonwealth, providing benefit payments to eligible recipients, and awarding other grants to intergovernmental and nongovernmental organizations. Personal services account for \$986 million (8 percent) of the Health and Human Resources agencies' expenditures. The Department of Behavioral Health and Developmental Services expended 48 percent of the personal services expenditures, which it mostly used to run 24/7 operations at its facilities.



Source: Commonwealth Accounting and Reporting System

*Other includes the following object code categories: supplies and materials, continuous charges, property and improvements, equipment, and plant and improvements.



Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 13, 2013

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable John M. O'Bannon, III
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Agencies of the Secretary of Health and Human Resources**, as defined in the Audit Scope and Methodology section below, for the year ended June 30, 2013. 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 Objectives

Our audit's primary objective was to evaluate the accuracy of the Agencies of the Secretary of Health and Human Resources financial transactions as reported in the Comprehensive Annual Financial Report for the Commonwealth of Virginia for the year ended June 30, 2013, and test compliance for the Statewide Single Audit. In support of this objective, for those agencies with significant cycles, as listed below, we evaluated the accuracy of recording financial transactions in the Commonwealth Accounting and Reporting System, their accounting systems, and other financial information they reported to the Department of Accounts, reviewed the adequacy of their internal controls, tested for compliance with applicable laws, regulations, contracts, and grant agreements, and reviewed corrective actions of audit findings from prior reports.

Audit Scope and Methodology

Management of the Agencies of the Secretary of Health and Human Resources have 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 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 significance 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.

Comprehensive Services for At-Risk Youth and Families

Administrative controls at the	Revenues and expenses
Department of Education, reported under a	
separate report	

Department for Aging and Rehabilitative Services

Federal revenue, expenses, and	Information system security controls
compliance for Vocational	
Rehabilitation and Disability	
Insurance	

Department of Behavioral Health and Developmental Services

Institutional revenues	Network security
Accounts receivable	Financial Management System
Adjusting journal entries	Patient Management System
Contracts with Community Service Boards	Capital Outlay
Payroll expenses	Contract Procurement and Management

Department of Health

Federal revenues, expenses, and compliance for:	Cooperative agreements between
Child and Adult Care Food Program,	Health and local government, which includes:
Special Supplemental Nutrition Program	Aid to local governments
for Women, Infants, and Children,	Allocation of costs
Ryan White (ADAP),	Reimbursement from local governments
Immunization Grants	Network security
Support for local rescue squads	Financial and Accounting System
Collection of fees for services	Inventory

Department of Medical Assistance Services

Federal revenues, expenses, and compliance for Medicaid	Contract management
Accounts receivable	System access controls
Accounts payable	Utilization units
	Adjusting journal enteries

Department of Social Services

Federal revenues, expenses, and compliance for:	Budgeting and cost allocation
Child Care Development Fund,	Network and System Security
Foster Care, and	Child Support Enforcement Asset Accuracy
Adoptions Assistance.	Supplemental Nutrition Assistance Program
Eligibility for:	(SNAP) Supplemental Information
Temporary Assistance for Needy Families	Accounts Payable
(TANF) and Low Income Household Energy	

All Agencies of the Secretary of Health and Human Resources

Secretariat-wide tests of:	
Restricted small purchase charge card purchases	Expenses entered and approved by the same employee
Purchases from disbarred vendors	Expenses exceeding appropriations

Our audit did not include the Secretary of Health and Human Resources’ eHHR Program, which we are continuously reviewing. We last covered the eHHR Program in the **Electronic Health and Human Resources (eHHR) Virginia’s Medicaid Modernization Solution August 2013 Report**. Additionally, our audit did not include the Department of Health Professions, or the three agencies that receive administrative services from the Department for Aging and Rehabilitative Services, which are: the Department for the Blind and Vision Impaired, the Department for the Deaf and Hard-of-Hearing, and the Virginia Board for People with Disabilities.

We performed audit tests to determine whether the Agencies’ 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, re-performance of automated processes, inspection of documents, records, contracts, reconciliations, board minutes, and the Code of Virginia, and observation of the Agencies’ operations. We tested transactions and system access, performed business process queries for known errors or internal control breakdowns, and performed analytical procedures, including budgetary and trend analyses. Where applicable, we compared an agency’s policies to best practices and Commonwealth standards.

Conclusions

We found that the Agencies of the Secretary of Health and Human Resources properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System or other agency financial system and in other financial information reported to the Department of Accounts for inclusion in the Comprehensive Annual Financial Report for the Commonwealth of Virginia. The Agencies record their financial 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 financial information presented in this report came directly from the Commonwealth Accounting and Reporting System or from the Agencies.

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 entitled "*Recommendations*." As described in the section entitled "*Recommendations*," we identified four deficiencies in internal controls that we consider to constitute a material weakness.

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 information will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies entitled "Implement User Access Controls for ROAP System," "Develop Workable Solutions to Maintain Appropriate Balance of Internal Controls," "Improve Oracle Access Controls," and "Improve SQL Server Database Security", which are described in the section titled "Recommendations," to constitute a material weakness for the Commonwealth. As such, they will be reported as a material weakness 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, included in the Commonwealth of Virginia Single Audit Report for the year ended 2013. 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.

The Agencies have taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

Exit Conference and Report Distribution

We discussed this report with management at the Agencies of the Secretary of Health and Human Resources as we completed our work on each agency. Management's responses to the findings identified in our audit are included in the section titled "Agency Responses." We did not audit management's responses and, accordingly, we express no opinion on them.

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

GDS/klw

Appendix:
Descriptions of State Programs

Program	Program Description
Administrative and Support Services	Efforts to provide overall administrative and logistical support services.
Adult Programs and Services	Provides programs and services aimed at populations of at-risk adults to include auxiliary grants for the aged, blind, and disabled, adult in-home and supportive services, and domestic violence prevention services.
Capital Outlay Projects	Appropriates funds for capital projects.
Child Support Enforcement Services	Promotes the support of dependent children by absent parents.
Child Welfare Services	Provides programs and services aimed at populations of at-risk children including foster care payments, child protective activities, and adoption subsidies.
Children's Health Insurance Program Delivery	Provides health care coverage for needy children.
Communicable Disease Prevention and Control	Promotes physical health through immunizations; prevent and control tuberculosis, STDs, and AIDS; and provide disease investigation control services.
Community Health Services	Provides local health care and nutritional services to individuals and families through community-based services.
Continuing Income Assistance Services	Provides income assistance payments on a permanent basis including determining eligibility for social security disability payments and providing payments to homes for adults for regular assisted living services.
Distribution of Tobacco Settlement	Distributes proceeds from the Master Settlement Agreement with tobacco product manufacturers.
Drinking Water Improvement	Efforts to implement the federal Safe Drinking Water Act, Virginia's Public Water Supply Law and Virginia's Waterworks Regulations to protect public health by regulating Virginia's public waterworks.
Emergency Medical Services	Provides emergency medical services, including communications, training, coordination, and licensing of emergency transportation personnel.
Emergency Preparedness	Provides emergency planning, training, and exercises to prepare Virginia's response to natural and man-made emergencies and disasters.
Environmental Health Hazards Control*	Directs the operation of environmental health programs such as shellfish sanitation, bedding and upholstery inspections, and radiological health and safety regulations.
Facility Administrative and Support Services	Supports and maintains facility operations such as general management and direction, information technology, food and dietary services, housekeeping, linen and laundry services, physical plant services, and power plant operations.
Financial Assistance for Supplemental Assistance Services	Supports low-income individuals and families by providing supplemental assistance programs such as general relief, resettlement assistance, emergency and energy assistance, and crime victim compensation.
Financial Assistance to Community Human Services Organizations	Serves as a fiscal agent for distribution of payments to specified grant funded organizations such as community action agencies, volunteer services, and payments to human services organizations.

Program	Program Description
Financial Assistance for Health Research	Provides financial support for health research from the Commonwealth Health Research Fund.
Financial Assistance for Health Services	Provides financial aid to localities for the provision of local health services including community substance abuse services, community mental health services, and community mental retardation services.
Financial Assistance for Individual and Family Services*	Provides financial assistance to state, local, public, and private nonprofit agencies and institutions performing those activities that will enhance the health and social well-being of individuals and families.
Financial Assistance for Local Social Services Staff	Provides financial assistance to local welfare boards for administration and services.
Financial Assistance for Self-sufficiency Programs and Services	Provides temporary income supplements to individuals or families including temporary assistance for needy families (TANF), child support supplements, food stamp employment and training (FSET), and unemployed parents cash assistance.
Higher Education Student Financial Assistance*	Provides financial assistance to higher education students through scholarships, tuition assistance, recruitment incentives, regional financial assistance, education program certification for veterans, and fellowships.
Individual Care Services	Provides services to assist the individual in caring for and improving himself/herself mainly focused on the elderly.
Inspection, Monitoring, and Auditing Services*	Inspects, monitors and reviews services provided in state facilities.
Instruction	Provides academic, elementary, and secondary instruction to students of all ages in state institutions.
Medical Assistance Services (non-Medicaid)*	Provides services to and payment on behalf of eligible individuals not enrolled in the Medicaid Program through reimbursements to localities for residents covered by the state and local hospitalization program, insurance premium payments for HIV-positive individuals, reimbursement to the uninsured medical catastrophe fund, and insurance premium payments for uninsured individuals.
Medical Assistance Services for Low Income Children	Provides services to and payment on behalf of eligible individuals <u>not</u> enrolled in the Medicaid Program.
Medical Examiner and Anatomical Services	Provides medical examiner and anatomical services including cadavers for scientific study.
Medicaid Program Services	Provides services to and payment on behalf of eligible individuals enrolled in the Medicaid program through reimbursements to state owned mental health and mental retardation facilities and services, professional and institutional medical services, long-term care services, and Medicaid fraud investigation and prosecution.
Nutritional Services	Efforts to promote better nutrition and improve the nutritional level of the diet of citizens through the distribution to quality food products.
Pharmacy Services	Provides pharmacy services to clients in mental health and retardation facilities and inpatient services to individuals residing in state-operated facilities.
Pre-trial, Trial and Appellate Processes	Efforts to bring to a courtroom setting and try cases of alleged violators of the criminal law and adjudication of civil disputes, and to provide for appellate review of such trials. Provides pre-trial assistance, a criminal fund, and reimbursements for medical services related to involuntary mental commitments.

Program	Program Description
Program Management Services	Provides state administration for financial assistance and social service activities which maintain or enhance the economic independence and self-sufficiency of individuals and/or families.
Protective Services	Provides services to care for and to protect the rights and futures of individuals including financial aid for comprehensive services for at-risk youth and by assisting the public with access disability rights-related resources; and advocate for consumers and systems change.
Regional Office Support and Administration*	Efforts to provide direction and supervision of direct customer services.
Regulation Of Professions and Occupations	Regulations to assure certain standards of competency, quality and performance of professional services for Accountants, Lawyers, Motor vehicle dealers and salesmen, physicians, and business regulation services. As well as technical assistance to regulatory boards and Licensure, Certification, and Registration of Professions and Occupations.
Regulation Of Public Facilities and Services	Inspects, certifies, and regulates public facilities and services, both publicly and privately operated.
Rehabilitation Assistance Services	Provides physical, mental and social rehabilitation services to individuals and their families including services to assist individuals in adjusting to physical disabilities, vocational rehab services, residential, on site outpatient and community based medical rehabilitation, independent living services for the blind and/or deaf, and efforts to implement the Vending Facility Program for the Blind on Federal and other property.
Rehabilitative Industries	Rehabilitate individuals by providing an opportunity to learn and practice marketable job skills in a constructive work environment.
Secure Confinement	Efforts to hold offenders in secure confinement until such time as they can be returned to the community.
Social Services Research, Planning and Coordination	Promote the public health through research, planning, and coordination of services and activities (excluding higher education research) including substance abuse research planning and coordination, health policy research, regulation of health care facilities, and certificate of public need (COPN).
Social Services Research, Planning and Coordination	Promotes social services through research, planning, and coordination in support of the economic, social, and physical well-being of the individual and/or family.
State Education Services*	Provides technical assistance and other support for public education activities including braille and Large-Print Textbook Services.
State Health Services	Provides direct health care services to individuals and families through state-operated facilities such as specialized child development services, geriatric care services, inpatient medical care, state mental retardation training center services, outpatient medical care, veterans care center operations, mental health and substance abuse services to individuals in state operated facilities, chronic disease prevention, WIC, and strategies to prevent the public health toll of injury and violence.
Statewide Library Services*	Provides research, consultation, and other library services to the entire state.
Vital Records And Health Statistics*	Provides vital records and health statistics for research and evaluation.

Source: Commonwealth Accounting Policies and Procedures Manual

*Programs included in the other category



COMMONWEALTH OF VIRGINIA

VIRGINIA DEPARTMENT OF HEALTH

P O Box 2448
RICHMOND, VA 23218

TTY 7-1-1 OR
1-800-828-1120

February, 3, 2014

Ms. Martha Mavredes
Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Dear Ms. Mavredes:

We have reviewed your report on our audit for the year ended June 30, 2013. We concur with your findings. A copy of our corrective action plan has been supplied under separate cover memo.

If you have any questions regarding our corrective action plan, please contact Wayne Goodman, Acting Internal Audit Director at 804-864-7446, wayne.goodman@vdh.virginia.gov.

Sincerely,

A handwritten signature in cursive script that reads "Marissa Levine MD MPH".

Marissa Levine, MD, MPH
Interim State Health Commissioner



<http://www.vdh.virginia.gov>



COMMONWEALTH of VIRGINIA

DEPARTMENT OF SOCIAL SERVICES

February 4, 2014

Ms. Martha S. Mavredes
Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Dear Ms. Mavredes:

We have reviewed your Report on Audit for the year ended June 30, 2013 and concur with your findings. We will continue to implement the corrective action plan as submitted.

If you have questions, please contact Jack B. Frazier, Director of Community and Volunteer Services, at jack.b.frazier@dss.virginia.gov or at (804) 726-7384.

Sincerely,

A handwritten signature in black ink, appearing to read "Margaret Ross Schultze".

Margaret Ross Schultze
Commissioner

MRS:ztr

Cc: VDSS Executive Team



COMMONWEALTH of VIRGINIA

JOHN J. PEZZOLI
ACTING COMMISSIONER

DEPARTMENT OF
BEHAVIORAL HEALTH AND DEVELOPMENTAL SERVICES

Post Office Box 1797
Richmond, Virginia 23218-1797

Telephone (804) 786-3921
Fax (804) 371-6638
www.dbhds.virginia.gov

February 5, 2014

Ms. Martha Mavredes
Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Dear Ms. Mavredes:

We have received your audit report for the fiscal year ended June 30, 2013. Our responses are presented below.

Improve SQL Database Security

We concur with this finding and are in the process of improving SQL database security. Business process analysis in this area is currently underway.

Remove Access Promptly Upon Employee Termination

We concur and are in the process of changing the employee termination process associated with the use of our systems here at DBHDS.

Record Capital Outlay Budgets and Expenditures in GCPAY as Required

We concur.

Please feel free to contact me or my staff if you have questions regarding any of our responses presented above.

Sincerely,

A handwritten signature in blue ink, reading "John J. Pezzoli".
John J. Pezzoli



COMMONWEALTH of VIRGINIA
Department of Medical Assistance Services

CYNTHIA B. JONES
DIRECTOR

SUITE 1300
600 EAST BROAD STREET
RICHMOND, VA 23219
804/786-7933
800/343-0634 (TDD)
www.dmas.virginia.gov

February 4, 2014

Ms. Martha S. Mavredes
The Auditor of Public Accounts
P. O. Box 1295
Richmond, Virginia 23218

Dear Ms. Mavredes:

We have reviewed your Draft Report on the Audit of the Agencies of the Secretary of Health and Human Resources for the Fiscal Year Ending June 30, 2014. We concur with your findings assigned to DMAS and will continue corrective action as indicated below.

Improve Oracle Access Controls

Condition

The Department of Medical Assistance Services (Medical Assistance Services) did not identify the activities of the system administrator for its Oracle Governmental Financials Accounting System as an auditable event to be logged. Additionally, the system administrator user ID and password for this system is shared by three users.

Recommendation

Management should evaluate if activities of its system administrators should be auditable. If their activities are significant and relevant to the security of the information system, management should implement the audit logging functionality of the Oracle Governmental Financials Accounting System in order to properly monitor user activities. Ideally, audit trails should be automatically transferred to an external log server or written to an area of the Oracle Governmental Financials Accounting System that is inaccessible to System Administrators. Management should assign someone outside of the System Administrator group to review and maintain the system audit logs. Additionally, management should assign different user ids and passwords to each of the systems administrators.

Corrective Action Plan:

The DMAS Information Management Division (in coordination with the Fiscal and Purchases Division and the Office of Compliance and Security) will implement the following corrective actions:

1. The SYSADMIN account has been locked down, and another separate account created for day-to-day administration. (This step completed prior to 1/10/2014).
2. Modify Fiscal Division Administrator user account, to remove unnecessary administrative privilege, or create a second administrator only account, to be used and logged when used by Fiscal Division administrator. This account may run jobs as needed. This account will be logged and the log will be unavailable to the Fiscal Administrator.
3. Update the Government Financials Information System Sensitive Security Plan (ISSP) to reflect this separation in administrator duties.
4. DMAS management will assign the audit logs to a secure area not accessible by system administrators if possible, and assign a reviewer, again, this to be documented within the ISSP for this system.
5. Evaluate additional security tools to be provided in the next installed version of Oracle, version 12.

Controls Implemented

- Fiscal Division administrator has had account access reduced to minimum necessary to function.
- Administrator account has had complex password updated and not shared.

Responsible Persons:

- Mukundan Srinivasan, DMAS Information Management Division Director;
- Theresa Fleming, DMAS Information Security Officer, Office of Compliance and Security

Estimated Implementation Date: December 31, 2014 (CAP Step #1 was completed prior to 1/10/2014).

Improve Access Management to the Medicaid Management Information System

Condition

The Department of Medical Assistance Services (Medical Assistance Services) does not require the Department of Social Services (Social Services) to perform annual reviews of their Medicaid Management Information System (Medicaid Management System) users.

In addition, the annual review of Medical Assistance Services' users only includes a review of employees who are newly hired, separated or transferred; it does not include a review of the access and privileges for all other employees who have access to the Medicaid Management System.

Recommendation

Even though access to the Medicaid Management System is suspended for inactive users, we recommend that Medical Assistance Services develop a mechanism to supply system owners and employee managers with a listing of user accounts and their privileges in order to review accounts and privileges annually as required. We also recommend that Medical Assistance Services update the Interagency Agreement with Social Services to include an annual review of Medicaid Management System users. This will enable Medical Assistance Services to ensure that user accounts and privileges are current and reasonable.

Corrective Action Plan:

The DMAS Office of Compliance and Security will coordinate with the DMAS Information Management Division to implement the following corrective actions:

1. As part of its agreement process, in 2014, DMAS will update/modify the Interagency Agreement with the Department of Social Services to reflect the Medicaid Management Information System (MMIS) annual user review. This will be driven by other required modifications.
2. DMAS will develop an automated process to provide system owners and/or employee managers a user listing with assigned privileges for annual review, and document resulting reviews for all DMAS systems.

Controls Implemented

- DMAS suspends MMIS user accounts as soon as notified, or when a 30 day period of inactivity occurs, automated account suspension occurs. Deletions occur in a timely basis.
- DMAS suspends other user accounts for DMAS systems upon notification. Deletions occur in a timely basis.

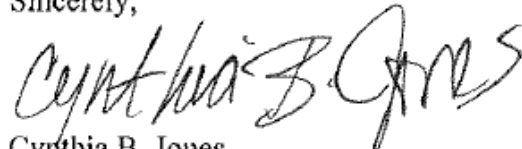
Responsible Persons:

- Theresa Fleming, DMAS Information Security Officer, Office of Compliance and Security
- Mukundan Srinivasan, DMAS Information Management Division Director;

Estimated Implementation Date: December 31, 2014

If you have any questions, please do not hesitate to contact our Director of Internal Audit,
Paul Kirtz.

Sincerely,

A handwritten signature in black ink, appearing to read "Cynthia B. Jones". The signature is fluid and cursive, with the first name "Cynthia" being the most prominent part.

Cynthia B. Jones



COMMONWEALTH OF VIRGINIA
DEPARTMENT FOR AGING AND REHABILITATIVE SERVICES

JAMES A. ROTHROCK
Commissioner

8004 Franklin Farms Drive
Henrico, VA 23229

Office (804) 662-7000
Toll free (800) 552-5019
TTY Toll free (800) 464-9950
Fax (804) 662-9532

February 10, 2014

Martha Mavredes
The Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Dear Ms. Mavredes:

We have reviewed your Audit Report for the Fiscal Year Ended June 30, 2013. We concur with your findings and will continue corrective action as indicated below.

Implement Corrective Actions to Improve Financial Reporting Controls

The Department for Aging and Rehabilitative Services has made significant strides in addressing the majority of the concerns outlined in the SFY 12 Quality Assurance Review (QAR) during the financial statements reporting for SFY 13. The agency has implemented Code of Ethics, developed procedures over annual CAFR reporting, updated all attachments to reflect proper coordination among attachments; ensured attachments were timely and reviewed. Additionally, we have hired experienced accounting staff to assist in the FAACS inventory and we are in negotiations with an experienced contractor to assist with ARMICS review. The agency has duly conducted the financial statements since the review. The QAR is an internal review from DOA to agency fiscal staff to assess control environment and improve accuracy of the Commonwealth CAFR.

Responsible Party: John Thaniel, Chief Financial Officer

Estimated Completion Date: September 30, 2014

Notify the Department of Accounts of All Protected Personally Identifiable Information

The information will be provided to DOA.

Responsible Party: John Thaniel, Chief Financial Officer

Estimated Completion Date: February 24, 2014

If you have any questions, please do not hesitate to contact our Chief Financial Officer, John Thaniel at john.thaniel@dars.virginia.gov or (804) 662-7520.

Sincerely,

A handwritten signature in blue ink, appearing to read "James A. Rothrock". The signature is fluid and cursive, with the first name "James" and last name "Rothrock" being clearly legible.

James A. Rothrock

Agency Officials

as of June 30, 2013

Department of Medical Assistance Services

Cynthia B. Jones— Director



Department of Social Services

Margaret R. Schultze— Commissioner



Department of Behavioral Health

James W. Stewart— Commissioner



Department of Health

Cynthia C. Romero, M.D.— Commissioner



Department for Aging and Rehabilitative Services

James Rothrock— Commissioner



Office of Comprehensive Services for At-Risk Youth and Families

Susan C. Clare— Executive Director



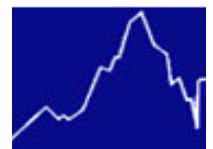
Department for the Blind and Vision Impaired

Raymond E. Hopkins— Commissioner



Department of Health Professions

Dianne L. Reynolds-Cane, M.D.— Agency Director



Department for the Deaf and Hard-of-Hearing

Ronald L. Lanier— Director



Virginia Board for People with Disabilities

Heidi Lawyer— Executive Director

