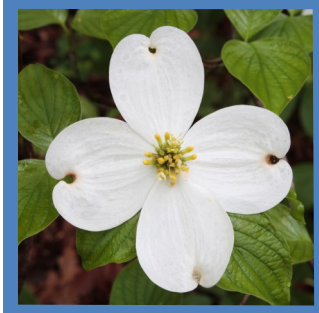


AGENCIES OF THE SECRETARY OF FINANCE

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2019

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AUDIT SUMMARY

This report summarizes our fiscal year 2019 audit results for the following four agencies under the Secretary of Finance (Secretary):

- *Department of Accounts*
- *Department of Planning and Budget*
- *Department of Taxation*
- *Department of the Treasury and the Treasury Board*

Our audits of these agencies arise from our work on the Commonwealth's Comprehensive Annual Financial Report (CAFR). Overall, we found the following:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth's accounting and financial reporting system, each agency's accounting records, and other financial information reported to the Department of Accounts;
- four prior year findings discussed in the Status of Prior Year Recommendations and Internal Control and Compliance Risk Alert sections, where corrective action is ongoing;
- nine findings involving internal control and its operation, necessary to bring to management's attention. Of these findings, six are considered to be instances of non-compliance with applicable laws and regulations that are required to be reported. These are included in the Internal Control and Compliance Recommendations section;
- adequate corrective action with respect to audit findings reported in the prior year that are not referenced in this report.

This report also includes information on significant initiatives for the Secretary and Department of Accounts, including the status of the Commonwealth's Human Capital Management System development project and upcoming reporting changes for leases.

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SIGNIFICANT INITIATIVES

The following section provides an update on two major Commonwealth initiatives affecting Secretary of Finance agencies.

Status of System Development Project

Applicable to: *Secretary of Finance and Department of Accounts*

Commonwealth's Human Capital Management Systems Project

In August 2016, Department of Accounts (Accounts) launched a Payroll project to replace the Commonwealth's existing payroll system that has been in place since 1986. Currently, 200 state agencies use the system for payroll and/or leave-tracking purposes. Accounts originally scheduled the completion of the Payroll project during 2018 to coincide with the time sensitive availability of vendor software support for the existing payroll system. However, due to delayed data conversions and unreliable data from statewide systems that support the payroll process, Accounts encountered project delays.

The Human Capital Management project has a scheduled completion date of May 2022, with estimated total costs of approximately $131 million dollars.

In May 2018, Accounts made the decision, with the support of the Secretary of Administration and the Secretary of Finance, to immediately halt the original Payroll project and proceed with a more sweeping Human Capital Management project to include not only replacing the statewide payroll system, but also replacing the Commonwealth's human resources; time, attendance, and leave; and benefits administration systems. In addition, Accounts successfully negotiated continued vendor software support of the Commonwealth's existing payroll system through the end of 2021.

Since May 2018, Accounts has been working through an analysis phase to determine the Human Capital Management project's new timeline, budget, and scope. Accounts partnered with the Department of Human Resource Management (Human Resource Management) to ensure the new systems' specifications are accurate and capture the Commonwealth's standards. Accounts completed the analysis phase in April 2019 and subsequently submitted a change request for approval, including a new project completion date of May 2022. To meet this deadline, Accounts has scheduled two release groups of agencies for March 2021 and October 2021. Both groups should have full functionality of all modules within Cardinal by their release date. Additionally, to solve the increased performance need from added users and modules, the project also includes an infrastructure move to a cloud-based environment for all Cardinal applications. This shift will align the project with the Governor's Executive Order No. 19, "Cloud Service Utilization and Readiness," by being cloud-enabled.

Accounts estimated a total cost of $43 million for the original Payroll project and $9 million for the analysis phase of the Human Capital Resource Management project. As of the end of fiscal year 2019, Accounts has spent approximately $46 million on both projects. For the Human Capital Management analysis phase, using a Governor approved working capital advance, Accounts spent

approximately $7 million to plan, define project requirements, and assess software. In order to complete the Human Capital Management project, Accounts estimates an additional cost of $85 million.

The Human Capital Management project scope is set to integrate with the Commonwealth's accounting and financial reporting system, reduce risks by replacing several aging statewide systems, improve performance with all Cardinal PeopleSoft applications using cloud infrastructure, and meet the majority of the Commonwealth's payroll and human resource requirements. Further, by integrating with the accounting and financial reporting system, the Commonwealth will have a variety of new reporting capabilities and more streamlined processes.

As with all projects, Accounts continues to face risks while implementing the Human Capital Management project. For example, although Accounts is familiar with the software product they are implementing, their experience with that product has been limited to the accounting and financial reporting system modules and not the payroll and human resources modules. Additionally, the timeline for implementing each module is closely dependent on the other modules, causing a greater risk of major schedule impact with any delays. Furthermore, Accounts faces complexity in determining system requirements based on the numerous different processes and uses of statewide systems by agencies across the Commonwealth. Accounts, Human Resource Management, and all agencies that use the Commonwealth's payroll and human resource systems will need to continue to devote key personnel, time, and technology resources to mitigate the risks associated with the Human Capital Management project.

New Lease Accounting Standard

Applicable to: *Department of Accounts*

Governmental Accounting Standards Board Statement 87 Leases

In 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, Leases. This accounting standard becomes effective for fiscal year 2021 and significantly changes the way governments account for leases. Under the new model, operating and capital leases no longer exist. Governments will report all leases as financing transactions, which results in recording an intangible asset and a liability for every lease except short term leases (less than 12 months). This will dramatically change the Commonwealth's financial statements by increasing the amount of assets and liabilities.

Beginning in fiscal year 2021, the Commonwealth will be required to implement a new lease accounting standard. Under the new standard, most of the Commonwealth's $495.3 million in operating leases will become new lease liabilities in the financial statements.

For fiscal year 2019, the Commonwealth's primary government had $30.8 million in capital lease liabilities and $495.3 million in operating lease commitments, which are not reported as liabilities in the Commonwealth's CAFR. Under the new standard, most of this $495.3 million in operating lease commitments will become lease liabilities. This could potentially impact the Commonwealth's debt capacity model, resulting in a reduced capacity for debt issuance.

The Commonwealth has two systems that state agencies use to account for leases. The Department of General Services (General Services) manages a system that includes all real estate leases. Accounts manages a system that includes all other leases, such as equipment leases. GASB Statement No. 87 requires that governments recognize and measure existing leases using the facts and circumstances that exist at the beginning of the period of implementation, which is July 1, 2020, not the inception of the lease. Therefore, Accounts and General Services will need to gather additional data, assess all of their leases, and implement changes to their lease systems no later than July 1, 2020, to successfully implement the new standard for fiscal year 2021.

STATUS OF PRIOR YEAR RECOMMENDATIONS

This section is organized by agency, and each status of prior year finding reported includes information on the type of finding, the severity classification for the finding, and an update on progress made since the issuance of the prior year's audit report. The severity classifications are discussed in more detail in the section titled "Independent Auditor's Report."

Department of Taxation

Continue to Improve Controls Over Role Access

Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: Yes (first issued in fiscal year 2017)
Prior Title: Improve Controls over Role Access

Taxation's management and its Office of Technology (Technology) did not properly restrict the access granted within security roles in their financial accounting and reporting system (system) based on the principle of least privilege. Although Taxation has various compensating controls in place, we found 14 out of the 35 security roles provided access to critical access functions in excess of the job duties of the employees assigned to these roles. Because of this, employees had unnecessary critical access in the financial accounting and reporting system.

Management made efforts to improve controls over the system's access, specifically through their recertification process. Management provided training to the various department managers emphasizing the importance of certifying access based on least privilege. Even with the efforts, users continued to have security roles that allowed access to critical resources that were not necessary to their job functions. Managers stated they were not aware that they should have reviewed the resources associated with the roles when completing the recertification. Managers were also hesitant to delete access to a resource thinking it may result in a user being unable to complete their job responsibilities.

The Commonwealth's Information Security Standard SEC 501 (Security Standard), Section 8.1 AC-6, requires an organization employ the principle of least privilege when granting access to ensure users only have access that is necessary to accomplish their assigned tasks. Management should ensure least privilege when certifying the access granted to ensure employees have the least amount of access necessary to perform their job duties. Additionally, Technology should ensure proper setup of the access functions to ensure they grant only the stated privileges in the financial accounting and reporting system.

Continue to Improve Disaster Recovery Planning Documentation

Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: Yes (first issued in fiscal year 2018)
Prior Title: Improve Disaster Recovery Planning Documentation

Taxation made progress to improve its risk management documentation since the previous audit by updating its Business Impact Analysis (BIA). However, Taxation did not update its disaster recovery documentation, specifically its Contingency Plan (CP) and Information Technology (IT) Disaster Recovery Plan (DRP), to consistently reflect recovery expectations and meet the requirements in the Security Standard. Additionally, Taxation does not consistently use disaster recovery plan nomenclature in its contingency planning documentation.

We communicated the specific control weaknesses to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under § 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms.

Inconsistent recovery expectations and ambiguous language reduces the effectiveness of Taxation's disaster recovery planning documentation. Taxation should make the necessary revisions, as discussed in the separate FOIAE communication, to become compliant with the Security Standard and improve the effectiveness of its plans.

Department of the Treasury

Continue to Improve Information System Access Controls

Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: Yes (first issued in fiscal year 2017)
Prior Year Title: Improve Information System Access Controls

In fiscal year 2017, we recommended that the Unclaimed Property Division (Unclaimed Property) of the Department of the Treasury (Treasury) strengthen access controls to two of its information systems used to administer unclaimed property to ensure access privileges are adequately defined and documented, are assigned based on the principle of least privilege, and ensure proper segregation of duties. During fiscal year 2018, Unclaimed Property corrected access issues related to one of the two systems. However, we recommended that Unclaimed Property should continue its efforts to adequately document access privilege descriptions and its policies and procedures for all processes including, but not limited to, ensuring segregation of duties exist for claim payments and for conducting periodic access reviews to ensure system access is appropriate. In addition, we recommended Treasury maintain adequate documentation supporting access privileges assigned.

During fiscal year 2019, Unclaimed Property has made significant improvements related to its Unclaimed Property system access controls. Unclaimed Property adequately defined and documented access privilege descriptions. In addition to the annual systems access review required by Treasury, Unclaimed Property has implemented and documented its process for a detailed review of its claims processing system to ensure access is appropriate. Unclaimed Property has identified access roles based on job duties to ensure least privilege and rolled out this new method of assigning access roles in phases during fiscal year 2020. We will test this new method during our fiscal year 2020 audit. Unclaimed Property has documented policies and procedures for a detective control related to ensuring segregation of duties exists for claim payments; however, in two of the eight months (25%) tested, review was performed more than three months (98 days) after the end of the period being reviewed.

The Security Standard, Section 8.1 AC-6, requires that Unclaimed Property employ the principle of least privilege when granting access. Additionally, the Security Standard, Section 8.1 AC-5 parts a through c, require that Unclaimed Property define and assign system access to support segregation of duties. Segregation of duties and access assigned based on the principle of least privilege reduces the risk of fraud and errors.

Unclaimed Property should document its expectation of timely review in its policies and procedures related to the detective control ensuring segregation of duties exist for claim payments.

INTERNAL CONTROL AND COMPLIANCE RECOMMENDATIONS

This section is organized by agency, and each finding reported includes information on the type of finding and the severity classification for the finding. The severity classifications are discussed in more detail in the section titled "Independent Auditor's Report."

Department of Accounts

Dedicate Resources to Timely Update of CAPP Manual Topics

Type: Internal Control
Severity: Significant Deficiency
Repeat: No

Accounts' management is not performing timely updates to the Commonwealth Accounting Policies and Procedures (CAPP) Manual for agencies and institutions of the Commonwealth. While performing our test work, we identified ten CAPP Manual topics that were outdated and still referenced the Commonwealth's former accounting system. Accounts decommissioned the previous accounting system in July 2016. The outdated sections cover a variety of areas including payroll and the processing of revenue refunds and loans to the Commonwealth.

Section 2.2-803 of the Code of Virginia requires Accounts to provide authoritative guidance on the application of accounting policies, procedures, and systems. Further, having up to date and relevant policies and procedures is a key component of internal control and ensures consistent processing of transactions throughout the Commonwealth. Accounts not updating CAPP Manual topics on a timely basis could have a negative impact on consistent transactional processing and financial reporting throughout the Commonwealth. In addition, the lack of up to date guidance could contribute to a break down in internal controls at the agency and institution level. According to Accounts' management, the delay in performing the updates is primarily due to a lack of available resources. Accounts' current plan is to update general accounting topics by December 31, 2019. Accounts Payroll Operations does not have a definitive date for updating payroll related topics in the CAPP Manual. Accounts extended the timeline for having payroll topics updated due to management dedicating additional payroll resources to the Commonwealth's Human Capital Management project. To compensate for having outdated payroll guidance in the CAPP manual, Payroll Operations is currently using an email listserv of agency/institution payroll contacts to communicate changes and updates to specific policies and procedures.

Accounts should dedicate the necessary resources to update all outdated CAPP Manual topics. Further, while Accounts has established a set time for updating outdated general accounting topics, Accounts should also strive to set a deadline for having payroll topics updated. Though Accounts is currently using an email listserv to communicate changes to payroll policies and procedures, this is not a sufficient substitute for having updated and relevant authoritative guidance to which agency personnel can be held accountable.

Comply with Federal Regulations for Documentation of Employment Eligibility

Type: Internal Control and Compliance
Severity: Deficiency
Repeat: No

Accounts' Human Resources (Human Resources) did not properly complete Employment Eligibility Verification (I-9) forms for new employees as follows:

- For 12 out of 16 employees (75%) tested, the preparer and/or translator certification on Form I-9 Section One was not completed.

- For two out of 16 employees (13%) tested, the employment start date on the Form I-9 Section Two did not agree to the start date in agency records.

- For one out of 16 employees (6%) tested, the employee did not sign the Form I-9 as of the first day of employment.

- For one out of 16 employees (6%) tested, the identification and employment documents were listed under the incorrect heading on Form I-9 Section Two.

The Immigration Reform and Control Act of 1986 requires that all employers complete an I-9 form to verify both identity and employment eligibility for all employees hired after November 6, 1986. Additionally, the U.S. Department of Homeland Security's Guidance for Completing Form I-9 Handbook for Employers issued by the U.S Citizenship and Immigration Services prescribes federal requirements for completing I-9 forms. Not complying with federal requirements could result in civil and/or criminal penalties and debarment from government contracts.

Human Resources management indicated they were unaware of the specific instructions for the completion of the Form I-9. Further, Human Resources management did not realize that the first day of employment on Form I-9 should agree to the date as stated on agency payroll records. Additionally, Human Resources did not have documented policies and procedures for Form I-9 completion and review. Human Resources noted that the training for the Form I-9 did not provide all necessary information for adequate review.

Human Resources management should develop, document, and implement policies and procedures for Form I-9 requirements and completion. Management should provide adequate training and resources to Human Resources personnel responsible for Form I-9 completion to reinforce the expectation of compliance with the applicable federal requirements. In addition, Human Resources management should perform an adequate review of Form I-9's completed by Human Resources personnel to ensure compliance with federal statutes and regulations.

Improve Web Application Security

Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Accounts does not configure a mission critical and sensitive web application in accordance with the Security Standard. We communicated two control weaknesses to management in a separate document marked FOIAE under § 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. The Security Standard requires the documentation and implementation of certain controls that reduce unnecessary risk to the confidentiality, integrity, and availability of Accounts' information systems and data.

Accounts should develop a plan and implement the controls discussed in the communication marked FOIAE in accordance with the Security Standard in a timely manner. Doing this will help to ensure Accounts secures the web application to protect its sensitive and mission-critical data.

Department of Planning and Budget

Improve the Budget System Database Governance and Security

Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

The Department of Planning and Budget (Planning and Budget) does not have adequate policies, procedures, and baseline configurations to delineate roles and responsibilities to support its database environment. As a result, it does not secure the database that supports the Commonwealth's budget system in accordance with industry best practices and the Security Standard. We communicated the details of these weaknesses to management in a separate document marked FOIAE under § 2.2-3705.2 of the Code of Virginia due to its sensitivity and description of security controls.

Planning and Budget receives infrastructure services from VITA's contractual partnership with various information technology (IT) service providers (Partnership) and outsources database administration for the budget system to an external vendor because it has limited resources to manage the database internally. However, Planning and Budget does not document roles and responsibilities between the agency, Partnership, and the external vendor to ensure all parties understand and are held accountable for securing and managing the database environment in accordance with the Security Standard and industry best practices.

Planning and Budget should develop agreements that outline the roles and responsibilities for each party to ensure all aspects of securing and managing the database are covered. Additionally, Planning and Budget should remediate the weaknesses communicated in the FOIAE document to align

the configuration settings with the requirements in the Security Standard and industry best practices. Properly securing its database environment will maintain the confidentiality, integrity, and availability of sensitive and mission critical data.

Department of Taxation

Complete a Risk Assessment for Each Sensitive System

Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Taxation does not have complete or current risk management documentation for some of its sensitive systems. Specifically, Taxation does not have risk assessments for 19 of 46 (41%) sensitive systems and two of 27 complete (7%) risk assessments are older than three years. In addition, Taxation does not perform annual self-assessments to ensure the continued validity of the risk assessments and does not prepare a report of the risk assessments that identifies the vulnerabilities and an executive summary of major findings and risk mitigation recommendations.

The Security Standard, Section 6.2, requires Taxation to conduct and document a risk assessment of each sensitive IT system, at last once every three years. Additionally, Section 6.2 of the Security Standard requires Taxation to conduct and document an annual self-assessment to determine the continued validity of risk assessments and to prepare a report of each risk assessment that includes identification of all vulnerabilities discovered during the self-assessment and an executive summary, including major findings and risk mitigation recommendations. Further, the Security Standard requires the Information Security Officer (ISO) to review the report.

Taxation had turnover in the department responsible for completing risk assessments and this was the primary factor for not completing risk assessments and annual self-assessments for their sensitive systems.

Without having current and complete risk assessments, Taxation increases the risk they will not detect and mitigate existing weaknesses in sensitive systems. By not detecting the weaknesses, it increases the risk of a malicious user compromising confidential data and impacting the system's confidential tax data and its availability.

Taxation should ensure there are sufficient resources to complete and update its risk assessments for each sensitive system. In addition, Taxation should maintain oversight of the IT risk assessments by conducting and documenting annual self-assessments.

Department of the Treasury

Improve Web Application Security

Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Treasury does not configure a sensitive web application in accordance with the Security Standard. We identified one control weakness and communicated it to management in a separate document marked FOIAE under § 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. The Security Standard requires agencies to implement certain controls that reduce unnecessary risk to the confidentiality, integrity, and availability of Treasury's information systems and data.

Treasury should develop a plan to implement the control discussed in the communication marked FOIAE in accordance with the Security Standard in a timely manner. Doing this will help to ensure Treasury secures the web application to protect its sensitive and mission-critical data.

Improve Service Organization Control Report Review Policies and Procedures

Type: Internal Control
Severity: Significant Deficiency
Repeat: No

Treasury does not have updated and comprehensive policies and procedures over the review of third-party service providers' Service Organization Control (SOC) reports. SOC report reviews are a key internal control as Treasury contracts with several service organizations and these organizations' transactions and internal control environments have a direct impact on Treasury's financial operations through the financial transactions they process using the subservice organizations. The policy in place during fiscal year 2019 was drafted in 2008, and contains several inaccuracies in regards to Treasury's operations. The policy and procedure does not adequately address:

- Documentation of complementary user entity controls (CUECs) and the related controls in place;
- The steps needed to address internal control deficiencies and/or exceptions noted in reviews; and
- Current standards and Treasury organization.

The CAPP Manual Topic 10305 requires agencies to have adequate interaction with service providers to appropriately understand the provider's internal control environment. Agencies must also maintain oversight over the provider to gain assurance over outsourced operations. SOC reports are a

key tool in gaining an understanding of the provider's internal control environment and maintaining oversight over outsourced operations.

Without updated and comprehensive policies and procedures over SOC report reviews, Treasury may be unable to ensure that their CUECs are sufficient to support their reliance on service providers' controls design, implementation, and operating effectiveness and address any internal control deficiencies and/or exceptions noted in the report.

Treasury has some documentation of internal controls through its Agency Risk Management and Internal Control Standards (ARMICS) process that correlate to some of the CUECs identified in SOC reports; however, this documentation is independent of the SOC review process performed by staff. In addition, staff responsible for reviewing the SOC reports did not document or understand the CUECs and maintained that they did not have policies and procedures concerning their reviews, which reduces the operational effectiveness of the reviews. Treasury has developed a checklist in response to the previous audit, which documents the elements in the SOC reports reviewed, but the checklist does not require consideration of whether CUECs have been implemented or the evaluation of exceptions noted within the report. In addition, Treasury has been taking steps to improve overall policies and procedures in the current fiscal year through their Internal Review department's activities.

Treasury should update and improve policies and procedures already in place to ensure an integrated process wherein staff responsible for SOC report reviews and ARMICS processes are accurately and effectively identifying, incorporating, and documenting compensating internal controls to ensure the financial information received from service organizations is suitably assured through the coordinated efforts of Treasury staff. In addition, Treasury should use SOC reports as a component of its oversight activities over its providers to confirm they comply with the requirements outlined in the CAPP Manual and industry best practices. Finally, if Treasury identifies exceptions in the SOC reports, management should document their evaluation of the exception, including whether additional complementary controls are necessary to mitigate the risk to the Commonwealth.

Improve Process for Payment of Risk Management Invoices

Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Treasury's Risk Management Division (Risk Management) is not adequately monitoring or ensuring compliance with the prompt payment provisions in the Code of Virginia. We also noted this issue in in our fiscal year 2017 report, but not in our fiscal year 2018 report as Treasury indicated it had been resolved. Risk Management does not have sufficient oversight in place to ensure all invoices received are being processed and paid according to the prompt payment provisions regardless of whether the invoice is received by Risk Management directly or if the invoice is received via the Office of the Attorney General. For the invoices we reviewed, we found ten out of 70 (14 percent) were paid between one and 12 days after the 30-day prompt pay limitation. The invoices were paid an average of

nine days after the 30-day limit. In addition, one invoice was lacking time and date documentation to indicate when the invoice was received, making it impossible to determine whether the payment was made on time. Also, Risk Management was unable to produce documentation to adequately support one out of 14 (7%) payments reviewed.

The Code of Virginia § 2.2-4347 states that agencies are required to pay invoices no later than 30 days after the receipt of the goods, services, or invoice, whichever is later, or the due date specified in the vendor's contract. Not following prompt pay requirements established by the Commonwealth may harm the Commonwealth's reputation as a buyer, damage relationships with vendors, and result in late fees. CAPP Manual Topic 21005, Records and Retention, outlines the minimum record retention periods for audit support, including all records relating to expenses. The Department of Accounts and the Library of Virginia established the minimum retention period for expenses at five years past the end of the fiscal year in which it occurred.

Risk Management indicated that the untimely payments are a result of several factors, including staff vacancies, new personnel training, and an uneven distribution of work for personnel. Additionally, the Division receives an influx of invoices towards the end of the calendar year, leading to an increased work load.

Risk Management should strengthen its internal controls and policies and procedures to ensure compliance with prompt payment provisions, including further developing and improving operational procedures, adequately training staff, and maintaining sufficient management oversight of the payment process. Further, management should ensure that adequate staffing is available and that operations are adjusted accordingly for the high-volume periods anticipated during the year. In addition, Risk Management should communicate the importance of document retention to staff and ensure that staff maintain and retain all documents supporting payments in accordance with the CAPP Manual and Commonwealth retention policies.

Improve Policies and Procedures over Unclaimed Property Reconciliations

Type: Internal Control
Severity: Significant Deficiency
Repeat: No

Unclaimed Property does not have sufficient policies and procedures over the process of reconciling its unclaimed property system to the Commonwealth's accounting and financial reporting system. The policy does not include requirements for timeliness of preparation and review. In addition, there is not sufficient detail of the actual reconciliation process, nor explanations of how each system's information is used and how to document the reconciling items. As a result, we found the following issues with the reconciliations reviewed for fiscal year 2019:

- Two of four (50%) of the reconciliations selected for review were not dated, so a determination of timeliness of preparation or review could not be made, and one reconciliation out of four (25%) was completed five business days late.

- Three of four (75%) of the reconciliations reviewed did not have a clear audit trail for reconciling items.

CAPP Manual Topic 20905, Cardinal Reconciliation Requirements, requires all internally prepared accounting records, data submission logs, and other accounting data to be reconciled to reports produced by the Commonwealth's accounting and financial reporting system by the last business day of the month following the period close. In addition, Topic 20905 prescribes the level of detail at which agency records, accounts, and logs must be reconciled depending on the nature of the transactions. If recorded in multiple systems, transactions should be traced from one system to another, any variance between accounting data should be traced to specific transactions, and all variances should be explained and justified. Additionally, documentation should be maintained that enables accountants to follow an "audit trail" through the accounting process from each transaction to appropriate reports and other output. Policies and procedures should be complete and up to date; customized to reflect agency staffing, organization, and operating procedures.

Reconciliations are a key internal control for ensuring financial activity recorded in multiple systems is accurate in each of those systems and for preventing improper payments. In addition, the improper reconciliation of systems increases the risk of material misstatement for account balances related to Unclaimed Property activity. Inadequately detailed policies and procedures over the reconciliation process coupled with the retirement of the Unclaimed Property accountant contributed to the issues we noted with the reconciliations reviewed during fiscal year 2019.

Unclaimed Property should improve its existing policies and procedures over the reconciliation between the unclaimed property system and the Commonwealth's accounting and reporting system to ensure they are sufficiently detailed to reflect the unique operations of the division. Further, management should ensure that staff are adequately supporting reconciling items and maintaining sufficient documentation for the reconciliations. Finally, the reconciliations should be signed and dated by the preparer and reviewer and reviewed timely in accordance with the CAPP Manual.

INTERNAL CONTROL AND COMPLIANCE RISK ALERT

During the course of our audit, we encountered an internal control and compliance issue that is beyond the corrective action of agency management alone and requires the action and cooperation of management and Virginia Information Technology Agency (VITA). The following issue represented such a risk to the agency and the Commonwealth during fiscal year 2019.

Mitigate Server Vulnerabilities

Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: Yes (first issued in fiscal year 2015)

Applicable to: *Department of Taxation*

VITA's contractual partnership with various IT service providers (Partnership) provides agencies with installation, maintenance, operation, and support of IT infrastructure components, such as servers, routers, firewalls, and virtual private networks. Taxation relies on the Partnership for the installation of security patches in systems that support Taxation's operations. During our review, we found that the Partnership is not performing timely security patching in accordance with the Security Standard.

The Security Standard requires the installation of security-relevant software updates within 90 days of release. The Security Standard does allow for varying time periods depending on factors such as the criticality of the update, but generally the Partnership uses a 90-day window from the date of release as its standard for determining timely implementation of security patches (*Security Standard section: SI-2 Flaw Remediation*).

As of October 2019, the Partnership had not applied a significant number of critical and highly important security patches to Taxation's server environment, all of which are past the 90-day Security Standard requirement. The systems missing security updates are at an increased risk of cyberattack, exploit, and data breach by malicious parties.

Taxation is working with the Partnership to ensure that all servers have all critical and highly important security patches installed. Additionally, our separate audit of the Commonwealth's Partnership contract administrator, VITA, will include a contract performance review regarding this risk alert. We anticipate this report will be issued during 2020.

FINANCE SECRETARIAT OVERVIEW

The Secretary assists the Governor in the management and direction of the finance agencies and performs program coordination, policy planning, and budget formulation activities. To accomplish this, the Secretary oversees four agencies, which perform critical functions in the Commonwealth's statewide financial management system. These agencies are the Departments of Accounts, Planning and Budget, Taxation, and the Treasury and the Treasury Board. The individual audits of these agencies primarily support the audit of the CAFR for the fiscal year ended June 30, 2019, and this report is intended to report on the results of this work.

These four agencies work closely together in the budgeting, managing, and reporting of the Commonwealth's financial resources. They handle all of the financial transactions of the Commonwealth, from collecting taxes to paying bills to distributing aid to localities. Their primary responsibilities include:

- forecasting and collecting revenues;
- preparing and executing the Commonwealth's budget;
- managing the Commonwealth's cash and investments;
- issuing bonds on behalf of various boards and authorities;
- administering the Commonwealth's statewide accounting and payroll systems;
- overseeing the Commonwealth's financial reporting processes; and
- making strategic financial plans.

These agencies primarily serve other agencies within the Commonwealth in a central support capacity. General fund dollars are the primary funding source for their operations. Table 1 summarizes the original and final operating budgets, as well as expenses for all finance agencies except the Treasury Board. The Treasury Board's financial activity is not included since its activities consist primarily of the payment of debt service on general obligation and appropriation-supported debt rather than administrative expenses. In addition, Table 1 excludes funds that do not pertain to the administrative duties of Taxation.

Summary of Budget and Expenses for Fiscal Year 2019

Table 1

	Original Budget	Final Budget	Expenses
Secretary of Finance	$ 667,595	$ 837,763	$ 722,854
Department of Accounts	43,309,006	66,596,782	63,203,930
Department of Planning and Budget	7,963,865	8,002,335	6,723,474
Department of Taxation	112,978,556	118,601,442	115,706,305
Department of the Treasury	49,886,342	50,700,569	47,140,577
Total – Finance Agencies	**$214,805,364**	**$244,738,891**	**$233,497,140**

Source: Commonwealth's accounting and financial reporting system

The most significant budgetary changes within the Finance agencies took place in Accounts. The $23.3 million increase in Accounts' final budget primarily relates to additional funding for the Commonwealth's Human Capital Management System. Accounts also received an appropriation of approximately $10.3 million to pay the federal government for amounts currently in dispute for prior year transfers and rebate calculations. Accounts' legal council recommended paying the disputed amounts to avoid future interest costs.

RETAIL SALES AND USE TAX COLLECTION AND DISTRIBUTION

In accordance with § 30-133.2 of the Code of Virginia, we perform work related to retail sales and use tax distributions as part of our annual audit of Taxation. Our review covers retail sales and use tax with a focus on the collection and distribution of local sales and use taxes. As part of our initial review, we reviewed activity for fiscal years 2009 through 2012 and established a benchmark by which to evaluate errors in the process.

In fiscal year 2019, Taxation collected approximately $6.8 billion in retail sales and use taxes, with $1.3 billion of these revenues being distributed to localities as a one percent local option tax. Taxation collects the tax and determines the local portion, which is distributed to the locality where the sale or activity occurred.

The sales and use tax distribution process requires a joint effort between Taxation, localities, and businesses. There are a number of controls and processes in place to help ensure that locality distributions are accurate and made to the correct locality. When Taxation detects an error, they process an adjustment to correct the distribution and transfers the funds to the correct locality. Errors most frequently occur because a taxpayer does not allocate the proper amounts to the locality or a taxpayer has a liability in more than one locality.

Table 2 shows the local distribution amount for retail sales and use tax, as well as the amount and rate of distribution errors identified and corrected by Taxation in each of the last three fiscal years.

Error Rate for Local Sales Tax Distributions

Table 2

	2017	2018	2019
Local distribution amount	$1,213,928,644	$1,243,480,343	$1,292,803,736
Errors identified and corrected	$4,904,027	$4,716,646	$4,979,795
Error rate	0.40%	0.38%	0.39%

Source: Taxation's financial accounting and reporting system

As shown above, the error rate for fiscal year 2019 was 0.39 percent. This is within the one percent benchmark established and an increase from the fiscal year 2018 error rate of 0.38 percent. Based on these results, it appears that the error rate is within the established benchmark, and Taxation is properly distributing the local portion of the retail sales and use tax. We do not recommend any changes in the established benchmark.

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 13, 2019

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Agencies of the Secretary of Finance** for the year ended June 30, 2019. We conducted this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, in support of the Commonwealth's Annual Financial Report audit. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our primary audit objectives for the audit of the Departments of Accounts, Planning and Budget, Taxation, and the Treasury for the fiscal year ended June 30, 2019, include the following:

- to evaluate the accuracy of financial transactions related to tax collections, including accounts receivable, unearned revenues and taxes, accounts payable and other liabilities, tax abatements, and tax and interest revenue as reported in the Commonwealth's accounting and financial reporting system and Taxation's accounting and financial reporting system and in supplemental information prepared by Taxation;

- to evaluate the accuracy of financial transactions related to cash and cash equivalents, investments, debt, risk management, and unclaimed property activity, which is controlled by Treasury as reported in the Commonwealth's accounting and financial reporting system, Treasury's internal systems and accounting records, and in supplemental information prepared by Treasury (including the activity of the Treasury Board, the Local Government Investment Pool, the Virginia College Building Authority, the Virginia Public School Authority, and the Virginia Public Building Authority);

- to evaluate whether the budget approved by the General Assembly is appropriately recorded in the Commonwealth's accounting and financial reporting system and controls in this system are adequate to ensure program expenses do not exceed appropriations;

- to determine whether management has established and maintained internal controls over the Commonwealth's financial reporting and other central processes and the centralized services provided to agencies and institutions in support of the preparation of the financial statements as indicated in the Audit Scope and Methodology Section of this report;

- to determine whether management has established and maintained adequate operating and application system controls over the Commonwealth's accounting and financial reporting, payroll, budget, fixed asset, and lease accounting systems and other internal systems as referenced in the Audit Scope and Methodology Section;

- to determine whether the agencies have complied with applicable laws, regulations, contracts, and grant agreements; and

- to review corrective actions related to audit findings from the prior year report.

Audit Scope and Methodology

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

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

Department of Accounts

Financial reporting*
Commonwealth's accounting and financial reporting system
Commonwealth's payroll system
Commonwealth's fixed asset system
Commonwealth's lease accounting system
Administrative activities

*Including preparation of the Comprehensive Annual Financial Report and Schedule of Expenditures of Federal Awards.

Department of Planning and Budget

Budget execution
Commonwealth's budgeting system

Department of Taxation

Financial reporting
Tax return processing
Tax revenue collections
Taxation's accounting and financial reporting system

Department of the Treasury (including Treasury Board operations)

Financial reporting*
Bond issuance
Debt service expenses
Investment trading
Investment accounting
Investment accounting systems
Bank reconciliation system
Trust accounting
Check processing
Risk management claim processing
Management of unclaimed property
Access controls
System change controls

*Including preparation of financial statements of the Local Government Investment Pool, the Virginia College Building Authority, the Virginia Public Building Authority, and the Virginia Public School Authority.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the section "Audit Objectives" and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses may exist that were not identified. However, as described in the sections entitled "Status of Prior Year Recommendations," "Internal Control and Compliance Recommendations," and "Internal Control and Compliance Risk Alert," we identified deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or

detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial information will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We have explicitly identified 12 findings in the sections titled "Status of Prior Year Recommendations," "Internal Control and Compliance Recommendations," and "Internal Control and Compliance Risk Alert" as significant deficiencies for the Commonwealth.

In addition to the significant deficiencies, we detected a deficiency in internal control that is not significant to the Commonwealth's Comprehensive Annual Financial Report and Single Audit, but is of sufficient importance to warrant the attention of those charged with governance. We have explicitly identified one finding in the section titled "Internal Control and Compliance Recommendations" as a deficiency.

Audit Conclusions

We noted certain matters at Accounts, Planning and Budget, Taxation, and Treasury involving internal control and its operation and compliance with applicable laws and regulations that require management's attention and corrective action. These matters are described in the sections titled "Status of Prior Year Recommendations," "Internal Control and Compliance Recommendations," and "Internal Control and Compliance Risk Alert."

We found that Taxation properly stated, in all material respects, the financial records reviewed in support of the tax collections activity detailed in the audit objectives as reported in the Commonwealth's accounting and financial reporting system, Taxation's accounting and financial reporting system, and supplemental information.

We found that Treasury properly stated, in all material respects, the financial records reviewed in support of the cash and cash equivalents, investments, debt, risk management, and unclaimed property activity reported in Commonwealth's accounting and financial reporting system, Treasury's internal systems and accounting records, and supplemental information.

We found that the budget approved by the General Assembly is appropriately recorded in the Commonwealth's accounting and financial reporting system, and controls in this system were adequate to ensure program expenses did not exceed appropriations.

The agencies of the Secretary of Finance have taken adequate corrective action with respect to audit findings reported in the prior year that are not referenced in this report.

Since the findings noted above include those that have been identified as significant deficiencies, they will be reported as such in the "Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards," which is included in the

Commonwealth of Virginia's Single Audit Report for the year ended June 30, 2019. The Single Audit Report will be available at www.apa.virginia.gov in February 2020.

Exit Conference and Report Distribution

We discussed this report with management of the respective agencies of the Secretary of Finance and have included their responses at the end of this report in the section titled "Agency Response." We did not audit management's responses and, accordingly, we express no opinion on them. Additionally, on January 24, 2020 we provided management of the Virginia Information Technologies Agency (VITA) with a copy of the Risk Alert titled "Mitigate Server Vulnerabilities" for their response. VITA's management elected not to provide a response for inclusion in the audit report.

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

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

LDJ/vks

COMMONWEALTH of VIRGINIA

DAVID A. VON MOLL, CPA
COMPTROLLER

Office of the Comptroller

P. O. BOX 1971
RICHMOND, VIRGINIA 23218-1971

January 28, 2020

Ms. Martha S. Mavredes
Auditor of Public Accounts
James Monroe Building
101 N. 14th Street
Richmond, Virginia 23219

Dear Ms. Mavredes:

The Department of Accounts (Accounts) appreciates the opportunity to respond to the *Internal Control and Compliance Findings and Recommendations* contained in your 2019 Secretary of Finance Audit Report. We give your comments the highest level of importance and consideration as we continue to review and improve our current practices.

Internal Control and Compliance Findings and Recommendations

Dedicate Resources to Timely Update of CAPP Manual Topics

Accounts acknowledges the importance of updating the Commonwealth Accounting Policies and Procedures (CAPP) Manual, and Accounts agrees that the topics cited were not updated by June 30, 2019. However, Accounts disagrees with the severity of the impact related to these topics. Accounts prioritized the CAPP topics when the new accounting system was placed in service and all topics with substantive changes were updated. The five topics that remained were assessed as low priority since no substantive changes that would impact either accounting or reporting accuracy were required. As a mitigating control, Cardinal Job Aids and/or training materials provided guidance to effectively provide assistance with any terminology or coding changes that the agencies might require. These topics were updated by December 31, 2019. Regarding the payroll CAPP topics, Accounts does not plan to divert resources from the Human Capital Management (HCM) Project to update CAPP topics for CIPPS and the associated payroll business processes, which are scheduled to be replaced in October of 2021. Management does not believe this would be an appropriate use of the agency's limited resources. To mitigate any associated risk, Accounts is providing detailed and specific payroll processing guidance via Payroll Bulletins to agency fiscal and payroll personnel. Accounts will revise all Payroll topics as the new HCM module is placed in service.

Comply with Federal Regulations for Documentation of Employment Eligibility

Accounts agrees with the comment and corrective measures have already been taken to properly train the human resource staff and implement appropriate procedures to monitor and document employment eligibility.

(804) 225-2109 FAX (804) 786-3356 TDD (804) 371-8588

Improve Web Application Security

Accounts understands the importance of web application security related to the technology services and products provided by the Virginia Information Technologies Agency (VITA) and its vendors to operate both agency and central services. However, Accounts believes there is a lack of clarity regarding the delineation of responsibility between VITA and user agencies regarding enterprise delivered technology services. Accounts will work with VITA to clarify the ownership of these responsibilities and implement any related security validation measures as appropriate.

Sincerely,

David A. Von Moll

Copy: The Honorable Aubrey L. Layne, Jr., Secretary of Finance
Lewis R. McCabe, Jr., Deputy State Comptroller

COMMONWEALTH *of* VIRGINIA
Department of Planning and Budget

DANIEL S. TIMBERLAKE
Director

1111 E. Broad
Street Room 5040
Richmond, VA 23219-1922

January 29, 2020

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

Dear Ms. Mavredes:

The Department of Planning and Budget (DPB) has reviewed the findings and recommendations provided by the Auditor of Public Accounts (APA) as part of your audit of financial records and operations for the fiscal year that ended on June 30, 2019. I offer the following response to your team's internal control and compliance finding and recommendation for DPB.

Improve the Budget System Database Governance and Security
In its finding, the APA noted the following issues:

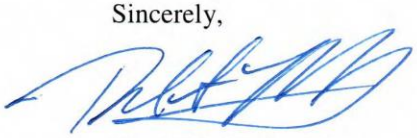
- Improve security of the database that supports the Commonwealth's budgeting system in accordance with industry standards and those of the Virginia Information Technologies Agency (VITA);
- Document roles and responsibilities between DPB, VITA, and the external vendor with whom DPB contracts for support of the Commonwealth's budgeting system; and
- Remediate weaknesses to align configuration settings with industry practices and VITA security standards.

FAX (804) 225-3291 (804) 786-7455 TDD (804) 786-7578

In response to these findings, DPB has worked with its external vendor to convert its staff augmentation contract to a defined statement of work agreement. The statement of work clearly delineates base level operations and maintenance support, which includes optional support to address activities that may fall outside of the baseline operations agreement. This statement of work is being finalized and is expected to be in place in February 2020.

Thank you for the opportunity to respond to your report.

Sincerely,



Daniel S. Timberlake

c: The Honorable Aubrey L. Layne, Jr.

COMMONWEALTH of VIRGINIA

Department of Taxation

January 23, 2019

Ms. Martha S. Mavredes
Auditor of Public Accounts
James Monroe Building
101 N. 14th Street
Richmond, VA 23219

Dear Ms. Mavredes:

The Department of Taxation ("Virginia Tax") has reviewed the findings and recommendations provided by the Auditor of Public Accounts as part of your audit of the agency's financial records and operations for the year ended June 30, 2019. I appreciate both the effort and professionalism of your staff in the performance of the audit and the opportunity to provide the following responses to address the report findings.

Continue to Improve Controls Over Role Access

Virginia Tax will implement the following plan as we continue to improve controls over role access:

- Phase I (Jan-March 2020): Assemble a leadership workgroup to review circumstances surrounding the 14 of 35 roles accessed which provided excess authority of employee job duties. Goal is to identify communication, technology and operational breakdowns and opportunities for strengthening controls.
- Phase II (April-May 2020): Prioritize specific steps and initiatives to further strengthen controls, reduce unnecessary critical access, and ensure least privilege is maintained. These efforts may include technology enhancements, training and educational opportunities, policy and procedure changes, ongoing monitoring and review of roles, and memorialized documentation.
- Phase III (June-August 2020): Implementation of enhancements to include; communications, training and education, systems changes, and post recertification quality review.

Continue to Improve Disaster Recovery Planning Documentation

Virginia Tax is working to update the Contingency Plan (CP) and Disaster Recovery Plan (DRP) to reflect Business Impact Analysis (BIA) business requirements.

Due to delayed responses from VITA regarding the Disaster Recovery contract offerings to include definition of Recovery Time Objectives (RTO), the project completion date will be impacted. The new target completion date is August 31, 2020.

Complete a Risk Assessment for Each Sensitive System

Virginia Tax will implement a risk assessment plan that will assess and report risks of sensitive systems as required by SEC501, in addition to performing an annual self-assessment that will be reviewed by the Information Security Officer. The agency will ensure this process is in place and working towards a comprehensive risk assessment by September 1, 2020.

Risk Alert

I would like to note that Virginia Tax leadership formally communicates the status of this issue with VITA executive management each quarter. In addition, our agency technology staff meet routinely with VITA staff on other issues, including patching. Virginia Tax will continue to encourage VITA to apply server patches in a timely manner.

Thank you for the opportunity to respond to your report. The Department strives to maintain strong internal controls and business processes that ensure high standards of integrity, efficiency, and control.

Sincerely,

Craig M. Burns
Tax Commissioner

Cc: The Honorable Aubrey L. Layne, Jr., Secretary of Finance

COMMONWEALTH of VIRGINIA

MANJU S. GANERIWALA
TREASURER OF VIRGINIA

Department of the Treasury

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(804) 225-2142
FAX (804) 225-3187

January 24, 2020

Ms. Martha Mavredes
Auditor of Public Accounts
101 N. 14th Street, 8th Floor
Richmond, VA 23219

Dear Ms. Mavredes,

The Department of the Treasury (Treasury) welcomes the opportunity to respond to the recommendations in your Report on the Audit of the Agencies of the Secretary of Finance for the fiscal year ended June 30, 2019. Treasury appreciates the recognition of our progress in addressing previous concerns as noted in the report. Additionally, your comments and recommendations are appreciated and given the highest level of consideration by Treasury as we continually strive to improve our processes.

Comments to Management

Improve Service Organization Control Report Review Policies and Procedures

Treasury has updated the Systems and Organization Control (SOC) Report Policies and Procedures. Additionally, Treasury provided training to all employees responsible for reviewing SOC Reports, enhanced the SOC Report Review Checklist, and mapped Complementary User Entity Controls to ARMICS documentation.

Treasury will continue to focus on maintaining and updating policies and procedures for SOC Report reviews.

Improve Policies and Procedures over Unclaimed Property Reconciliations

The Unclaimed Property Division (UCP) will improve its reconciliation procedures to ensure a timely review and a clear audit trail. Treasury will follow the guidance provided in the Commonwealth Accounting Policies and Procedures Manual (CAPP) in the updated reconciliation procedures.

Improve Process for Payment of Risk Management Invoices

The Risk Management Division will strengthen internal controls to ensure payments are made in compliance with Code of Virginia § 2.2-4347. Additionally, the Risk Management Division will retain records of expenses for audit support to comply with CAPP Manual Topic 21005.

Improve Web Application Security

Treasury will develop a plan to implement the control discussed in the communication marked FOIAE in accordance with the Security Standard in a timely manner.

Improve Information System Access Controls

Treasury will continue to improve policies and procedures to include a timely review of its detective controls. Additionally, Treasury will continue to utilize least privilege and separation of duties when assigning access to systems.

Sincerely,

Manju S. Ganeriwala

cc: The Honorable Aubrey L. Layne Jr., Secretary of Finance

SECRETARY OF FINANCE AGENCY OFFICIALS

As of June 30, 2019

Aubrey L. Layne, Jr.
Secretary of Finance

David A. Von Moll
Comptroller

Daniel S. Timberlake
Director of the Department of Planning and Budget

Craig M. Burns
Tax Commissioner

Manju S. Ganeriwala
Treasurer