



COMPENSATION BOARD

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2014

Auditor of Public Accounts
Martha S. Mavredes, CPA

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AUDIT SUMMARY

Our audit of the Compensation Board for the period ending June 30, 2014, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- an internal control matter that requires management's attention and corrective action, which is included in the section entitled "Audit Finding and Recommendation;" and
- an instance of noncompliance with applicable laws and regulations that is required to be reported under Government Auditing Standards, which is included in the section entitled "Audit Finding and Recommendation."

–TABLE OF CONTENTS–

	<u>Pages</u>
AUDIT SUMMARY	
AUDIT FINDING AND RECOMMENDATION	1
SYSTEMS BACKGROUND	2
INDEPENDENT AUDITOR’S REPORT	3-4
AGENCY RESPONSE	5-6
BOARD OFFICIALS	7

AUDIT FINDING AND RECOMMENDATION

Improve Controls over Systems Access

The Compensation Board is not properly managing user access to the Constitutional Officers Information Network (COIN), Local Inmate Data System (LIDS) and Local Inmate Data System-Correctional Information System (LIDS-CORIS). Across these systems, we were unable to verify the proper granting of access, adequate recordkeeping, timely termination of access for separated users, and monitoring access to the systems on a regular basis. We also communicated additional details 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 their sensitivity and description of security controls.

Commonwealth's Information Security Standard SEC 501-08 (Security Standard) requires a formal, documented access control policy that addresses purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance; and formal, documented procedures to facilitate the implementation of the access control policy and associated access controls.

Without adequate system access controls in place, the Compensation Board cannot ensure the integrity and security of the data in the system.

The Compensation Board has limited resources available to manage access to its systems. Management of systems access is also complicated by the fact that system users are located in all areas of the state and the Compensation Board does not employ the majority of the users. In addition, there is no active management or plan to decommission the LIDS system, as discussed in the section entitled "Systems Background". Despite the lack of controls over systems access, we were able to verify that all expense transactions conducted by the Compensation Board were within board-approved budgets for the period under audit.

The Compensation Board should improve overall system access controls, as they relate to the systems mentioned above, in order to meet the Security Standard. Due to limited resources, the Compensation Board should identify available resources, conduct a review of policies and procedures over access, and develop and implement a plan moving forward to meet all requirements of the Security Standard across all systems. All changes to policies and procedures should be communicated to all users of the system and enforced appropriately. The Compensation Board should also develop a plan to decommission the LIDS system.

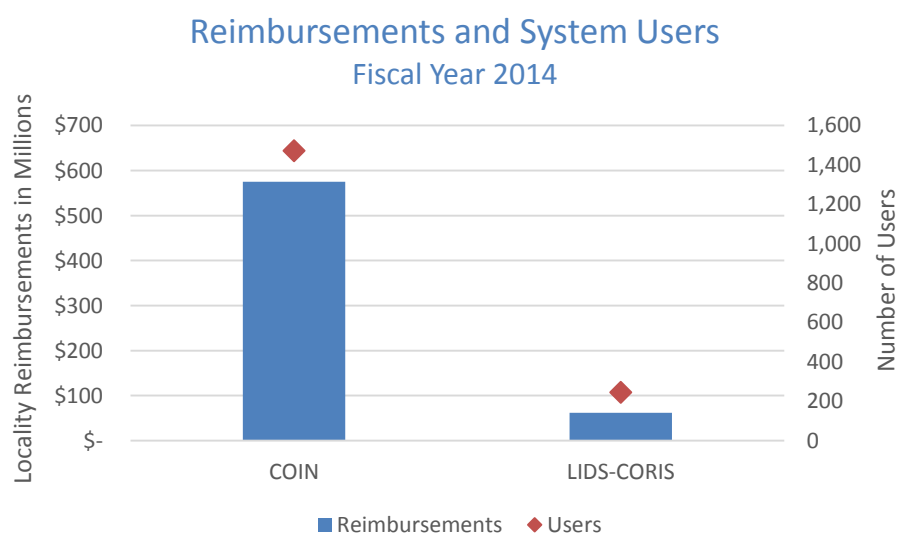
SYSTEMS BACKGROUND

The Compensation Board is responsible for determining the state's share of Constitutional Officers' budgets and reimbursing localities for Constitutional Officers' salaries and expenses. They are also responsible for providing payments to local governments and regional jails on a per day amount for the state's share of holding inmates based upon daily reporting of jail populations. Additionally, they administer the Technology Trust Fund to reimburse Clerks of the Circuit Court for expenses incurred in the automation of land records. The preceding responsibilities are managed by the Compensation Board through the Constitutional Officer's Information Network (COIN), the Local Inmate Data System (LIDS), and the Local Inmate Data System-Correctional Information System (LIDS-CORIS). The Compensation Board centrally manages these systems and users are located across the Commonwealth, the majority of which are not employed by the Compensation Board.

Constitutional Officers, regional jails, and their administrative staff use COIN to submit budgetary requests, reimbursement requests, and personnel transactions, which are then processed and paid through the Commonwealth Accounting and Reporting System (CARS). COIN has over fourteen hundred users.

At the end of June 2013, LIDS-CORIS replaced LIDS (a system developed to maintain inmate records including offense and population information) for daily functionality. Local jails have access to LIDS-CORIS to input inmate information used to calculate per diem payment amounts due based on populations of local-responsible, state-responsible, and federal inmates. These amounts are then processed and paid through CARS. LIDS-CORIS is a component of Department of Corrections' Correctional Information System. LIDS, though no longer the primary system for daily use and no longer accepting new entries, had over twelve hundred users during the audit period. This system is now used to obtain historical data only. LIDS-CORIS has approximately two hundred and forty users.

The chart below shows the total reimbursements, paid through CARS, which COIN and LIDS-CORIS managed during fiscal year 2014, along with the number of users for each system.



Sources: Commonwealth's Accounting and Reporting System, Constitutional Officer's Information Network, Local Inmate Data System- Correctional Information System



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

February 16, 2015

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Compensation Board** for the year ended June 30, 2014. 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 objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System, review the adequacy of the Compensation Board's internal controls, and test compliance with applicable laws, regulations, contracts and grant agreements.

Audit Scope and Methodology

The Compensation Board's management has 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.

- Payroll
- Systems access
- Transfer payments
- Excess fee payments
- Technology Trust Fund
- Small purchase charge card expenses

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

Conclusions

We found that the Compensation Board properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Compensation Board records its 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.

We noted a matter involving internal control and its operation and compliance with applicable laws, regulations, contracts, and grant agreements that requires management's attention and correction action. This matter is described in the section entitled "Audit Finding and Recommendation."

Exit Conference and Report Distribution

We discussed this report with management on February 19, 2014. Management's response to the findings identified in our audit is included in the section titled "Agency Response." We did not audit management's response and, accordingly, we express no opinion on it.

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

DEPUTY AUDITOR OF PUBLIC ACCOUNTS

AVC/clj

SUSAN R. SWECKER
CHAIRMAN

ROBYN M. DE SOCIO
EXECUTIVE SECRETARY



CRAIG BURNS
MARTHA MAVREDES
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COMMONWEALTH OF VIRGINIA

Compensation Board

P.O. Box 710
Richmond, Virginia 23218-0710

March 17, 2015

MEMORANDUM

TO: Office of the Auditor of Public Accounts

SUBJECT: Agency Response to Audit Report and Finding

Thank you for the opportunity to review your preliminary report of the Compensation Board's audit for the fiscal year ended June 30, 2014 and to respond to the finding noted in the report. The finding identifies concerns with systems access controls, which we believe resulted from insufficient documentation and a programming error in one system.

When transitioning from the old inmate database system LIDS to the new replacement system LIDS-CORIS, the Compensation Board assigned access to the new system to users already granted access under former existing agreements for use of the old system, for the same user activities. Prior to completion of the audit, the Compensation Board completed gathering new agreements for all existing users of the new LIDS-CORIS system to ensure up-to-date documentation. This documentation is also regularly updated semi-annually and additionally as needed according to access changes.

While the report and finding identifies a need to decommission the old LIDS system, this is not feasible at this time due to continuing need for data inquiry of historical records. To reduce documentation requirements and limit access to the old system, the number of user accounts for that system was reduced prior to completion of the audit from over 1200 to less than 100, with remaining existing users maintaining inquiry access only for the historical records. The Compensation Board will pursue a plan to decommission the old system when access to the historical records is no longer necessary.

With regard to the COIN budget/reimbursement system, a programming error identified in the system contributed to a lack of documentation to support specific transactions. During the audit, we made immediate changes to limit access to use of these specific transactions, and prior to completion of the audit, we developed an alternate mechanism to handle specific transactions in a manner that is responsive to our customers' needs, while preventing concerns regarding accessibility to those transactions. We discussed these changes in more detail with the auditors during exit, but cannot include them here due to their sensitivity and description of security controls.

The actions we have already taken, as discussed in this letter, were in response to matters of concern regarding documentation supporting access control. As noted in the audit finding, expense transactions for the audit period have been verified and determined proper.

The audit finding also references the Commonwealth's Information Security Standard requirement of a formal, documented access control policy. Access control procedures for COIN and LIDS/LIDS-CORIS and their documentation are specified in the agency's IT security policies. However, upon further review of these procedures in conjunction with discussions with auditors regarding their concerns, these procedures will be broadened and clarified. Agency policies will be updated, with additional procedures identified and existing procedures specified in more detail, including documentation specifications for all stages of access granting and termination. Updated procedures will be completed and new requirements communicated to users within the next 90 days.

Please let me know should you have any additional questions or need further information.

Sincerely,



Robyn M. de Socio
Executive Secretary

cc: Compensation Board Members
Anne M. Wilmoth, Chief Information Officer
Charlene M. Rollins, Customer Service Manager
Linda Gutshall, Fiscal Officer

COMPENSATION BOARD

Richmond, Virginia

Susan Swecker, Chairman

Craig Burns, Ex Officio

Martha Mavredes, Ex Officio

Robyn de Socio, Executive Secretary