

INDIGENT DEFENSE COMMISSION

**REPORT ON AUDIT
FOR THE PERIOD
JULY 1, 2007 THROUGH JUNE 30, 2008**



AUDIT SUMMARY

Our audit of the Indigent Defense Commission for the period July 1, 2007 through June 30, 2008, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System and the Integrated Decision Support System
- certain matters involving internal control and its operations necessary to bring to management's attention; and
- an instance of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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AUDIT FINDINGS AND RECOMMENDATIONS

Strengthen Controls over Information Systems

We have concerns that the Indigent Defense Commission (Commission) does not have adequate internal controls over their systems and applications by segregating access responsibilities, enabling audit trails, and periodically reviewing system access.

Segregate System Access Responsibilities

The Commission has not appropriately segregated system access responsibilities for their internal financial system (IDSS) and for the Commonwealth Accounting and Reporting System (CARS). Specifically, four employees have system administrator access to the IDSS system, allowing them to enter and release financial information and also change underlying data tables. One of these employees is an IT employee who should not have access to enter or release payments.

The current IDSS configuration does not have sufficient access levels to appropriately segregate responsibilities. Two of the employees having system administrator access also have the ability to enter and release batches in CARS.

The Commission is responsible for establishing an internal control system that includes adequate segregation of duties through system access. This lack of segregation of duties could potentially lead to errors in payments, duplicate payments, and employees inappropriately changing data, either mistakenly or intentionally. It also increases the risk of inaccurate, unreliable financial data and the possibility of committing a fraud that goes undetected. There is an adequate number of employees in the fiscal department to distribute responsibilities among multiple employees, without a single employee needing access both to enter and release information.

The Commission should change their CARS and IDSS access controls to ensure that an employee cannot enter and release financial information. Management should also change IDSS access to prevent financial employees from accessing the data tables.

Enable Audit Trails and Transaction History on Information Systems

The Commission did not enable audit trails or transaction history features on the IDSS system. As a result, individuals could inappropriately change data, either mistakenly or intentionally, and the Commission would not have a readily available mechanism to determine who accessed the data and what activity occurred. For example, during our review, we found individuals with access to change tables within IDSS. Without enabling logging features, the Commission could not easily identify and correct accidentally or intentionally changed data within these tables.

The Commission should establish proper controls to manage access and log activity. We recommend that the Commission enable audit trail and transaction history features on its information systems and implement a process to periodically review these logs.

Periodically Review System Access

The Commission does not periodically review access to its information systems and applications to ensure that all access is still appropriate. Management did establish a policy to review all access semi-annually beginning in January 2009; however, we found that the Commission has not performed this review.

By not performing this review, management is not determining that all access is still appropriate for current employees and that proper removal of terminated employees has occurred. Management should expedite this initial review process and perform the review at least annually.

Comply with the Commonwealth's Security Standards

The Commission does not have a complete information system security program. The security program lacks certain major components that the Commonwealth's security standards and industry best practices recommend to provide a consistent level of protection for data. Without completing these components and incorporating appropriate mitigating safeguards in the Commission's information systems security program, the Commission increases the risk of a data breach, corrupt data, and unavailable data.

The Commission has not completed a risk assessment that aligns with its business impact analysis in identifying all essential business functions and critical systems which support their overall business strategy. The Commission does not have a disaster recovery plan that helps ensure continuity of operations by identifying the steps necessary to restore the Commission's essential business functions on a schedule that support the mission requirements.

We found that the Commission does have certain security measures; however, the incompleteness of the information system security program prevents us from determining if these measures are actually protecting the information the Commission considers sensitive. All of the following policies should directly address the risk and vulnerabilities noted in the risk assessment.

- The password management policy should describe the agency's requirements for passwords to protect sensitive data stored in its IT systems.
- A threat management policy should identify the agency's requirements for implementing intrusion detection and prevention.
- A facility security policy should describe the agency's requirements for safeguarding the physical facilities that house IT equipment, systems, services, and personnel.

Complete documentation and staff training for understanding and following these policies and procedures will ensure consistent application of the Commission's information security practices, and will minimize the risk as it relates to the confidentiality, integrity, and availability of sensitive data. We recommend that management dedicate the resources necessary to complete its information security program by developing the missing components, and changing existing policies to address the results of the risk assessment.

COMMISSION HIGHLIGHTS

The Commission provides or oversees attorneys for indigent people charged with felonies or juvenile offenses. The Commission consists of 14 members, five of whom must be attorneys. The Commission hires the Executive Director and authorizes the Executive Director to appoint a public or capital defender as the head of each public defender office. Currently, there are 25 public defender offices, one appellate office, four capital defender offices, and one administration office. During fiscal year 2008, the Commission had authorization to have 312.5 attorneys but averaged 281 attorneys, which handled a total of 103,504 non-capital cases.

The Commission's primary funding source is General Fund appropriations. As shown in the following "Budget to Actual Expenses for Fiscal Year 2008" table, the Commission spent \$41 million. Payroll costs, including fringe benefits, accounted for 86 percent, or \$35 million, of the Commission's total expenses. During fiscal year 2008, the Commission spent \$2.4 million, or six percent, on rent and other continuous charges and an additional \$1.8 million, or four percent, on contractual services.

Budget to Actual Expenses for Fiscal Year 2008

<u>Fund</u>	<u>Original Budget</u>	<u>Actual Budget</u>	<u>Actual Expenses</u>
General Fund Appropriations	\$39,847,664	\$42,421,158	\$40,940,158
Special Revenue	10,000	29,366	28,867
Federal Grants	<u>-</u>	<u>20,726</u>	<u>19,043</u>
Total	<u>\$39,857,664</u>	<u>\$42,471,250</u>	<u>\$40,988,068</u>

REVIEW OF THE COMMISSION'S ORGANIZATION

In February 2008, at the request of the Commission, the Department of Planning and Budget's Best Management Practices Division performed a detailed evaluation of the Commission's structure and management and recommended 23 specific improvements, 13 of which included human resources components. As a result of this report, management reclassified its Fiscal Director position to a Director of Budget and Finance, which requires a broader skill set. Management also hired a Human Resources Manager by utilizing existing turnover and vacancy savings. The Commission has completed several recommendations, made significant progress on others, and continues to work toward full implementation of the remaining recommendations in the report.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

March 16, 2009

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of the **Indigent Defense Commission** (Commission) for the year ended June 30, 2008. 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 on the Commonwealth Accounting and Reporting System, review the adequacy of the Commission's internal controls, test compliance with applicable laws and regulations and review corrective actions of audit findings from prior year reports.

Audit Scope and Methodology

The Commission'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 and regulations.

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

- Payroll expenses
- Operating expenses
- Appropriations
- System security

We performed audit tests to determine whether the Commission'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 and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Commission's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that the Commission properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Commission 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 certain matters 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 section entitled "Audit Findings and Recommendations."

The Commission has not taken adequate corrective action with respect to the prior year audit finding entitled "Comply with the Commonwealth's Security Standards." The Commission has taken adequate corrective action with respect to the audit findings reported in the prior year that are not repeated in this letter.

Exit Conference and Report Distribution

We discussed this report with management on March 31, 2009. Management's response has been included at the end of this report.

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

BEM/alh

VIRGINIA INDIGENT DEFENSE COMMISSION

COMMISSION MEMBERS

Judge Alan E. Rosenblatt, Acting Chair

Delegate David B. Aibo

Christopher L. Anderson

Steven D. Benjamin

John G. Douglass

Senator John S. Edwards

Karl R. Hade

Judge Edward W. Hanson, Jr.

Maria D. Jankowski

Delegate Terry G. Kilgore

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Director of Budget and Finance

April 1, 2009

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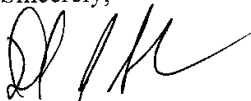
Dear Mr. Kucharski:

I am in receipt of and have reviewed the APA's Audit Findings and Recommendations Report for the Virginia Indigent Defense Commission (VIDC) and offer the following response.

The VIDC recognizes based on the findings of the Report that there is still work to be done. In reviewing the past two years, the VIDC has made much progress with regard to addressing concerns about its structure and management, meeting the requirements of ARMICS and working toward compliance with the IT security standards, all utilizing existing staff and appropriations.

In FY09, the VIDC has taken additional steps to continue that progress, and will continue to do so in FY10. We appreciate the recommendations made by the APA and your continued interest in our progress.

Sincerely,



David J. Johnson

INDIGENT DEFENSE COMMISSION

COMMISSION MEMBERS

As of June 30, 2008

Robert E. Shepherd, Jr., Chair

David H. Albo	Terry G. Kilgore
Christopher L. Anderson	David R. Lett
Steven D. Benjamin	Alan E. Rosenblatt
John Edwards	Jo-Ann Wallace
Karl R. Hade	David D. Walker
Edward W. Hanson, Jr.	Carmen B. Williams

Maria D. Jankowski

OFFICIALS

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Executive Director

DJ Geiger
Deputy Director