



DISABILITY SERVICES AGENCIES

FOR THE PERIOD

JULY 1, 2011 THROUGH JUNE 30, 2014

Auditor of Public Accounts
Martha S. Mavredes, CPA
www.apa.virginia.gov
(804) 225-3350



AUDIT SUMMARY

Our audit of the **Disability Services Agencies** for the period July 1, 2011, through June 30, 2014, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System and in the Financial Reporting and Transaction Entry Application;
- matters involving internal control and its operation necessary to bring to management's attention; and
- instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

Matters involving internal control and instances of noncompliance with laws and regulations are all included in the section entitled "Audit Findings and Recommendations."

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

Department for Aging and Rehabilitative Services provides administrative services in the areas of human resources, payroll, information technology, procurement, fleet, fiscal, and internal audit functions for all of the Disability Services Agencies through a memorandum of agreement. The Disability Services Agencies include the following:

- Department for Aging and Rehabilitative Services (including Wilson Workforce Rehabilitation Center)
- Department for the Blind and Vision Impaired (including Virginia Industries for the Blind and Virginia Rehabilitation Center for the Blind and Vision Impaired)
- Department for the Deaf and Hard-of-Hearing
- Virginia Board for People with Disabilities

–TABLE OF CONTENTS–

	<u>Pages</u>
AUDIT SUMMARY	
AUDIT FINDINGS AND RECOMMENDATIONS	1-8
AGENCY HIGHLIGHTS	9-12
INDEPENDENT AUDITOR’S REPORT	13-14
AGENCY RESPONSE	15-16
AGENCY OFFICIALS	17

AUDIT FINDINGS AND RECOMMENDATIONS

Continue to Improve IT Governance

Type of Finding: Internal Control and Compliance

The Department for Aging and Rehabilitative Services (Aging and Rehabilitative Services) is making progress to improve its information technology (IT) governance structure; however, various weaknesses continue to exist. Aging and Rehabilitative Services is not maintaining appropriate oversight over its information security program, does not use some required controls to secure mission critical databases, does not have an adequate risk management process, and does not place the Information Security Officer (ISO) in an effective organizational unit. We identified and communicated these weaknesses to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under Section 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms.

The Commonwealth's Information Security Standard, SEC 501-08 (Security Standard), requires agencies to use specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability in systems processing or storing sensitive information.

Aging and Rehabilitative Services should dedicate the necessary resources to implement the controls discussed in the communication marked FOIAE that continue to align Aging and Rehabilitative Service's operations with industry best practices and the Security Standard. The information security program control deficiencies that illustrate Aging and Rehabilitative Services' need to improve its IT governance are discussed below.

Continue to Improve Information Security Program

Aging and Rehabilitative Services is not maintaining sufficient oversight over the information security program to ensure it meets or exceeds the requirements of the Security Standard. Aging and Rehabilitative Services has made progress but the IT Policy Manual is not complete, references an out-of-date Security Standard, and has no management approval.

The Security Standard requires the ISO to develop and manage an information security program that meets or exceeds the requirements of the Commonwealth's security policies and standards in a manner commensurate with risk.

The lack of oversight is the result of Aging and Rehabilitative Services focusing its limited IT resources on other enterprise initiatives. Also, key IT resources were on extended leave during the fiscal year further limiting the ability to complete an information security program that aligns with the Security Standard.

Aging and Rehabilitative Services should evaluate its IT resource levels to ensure sufficient resources are available to implement and maintain an information security program. Aging and

Rehabilitative Services should also identify any additional training required to effectively and efficiently manage its information security program.

Improve Database Security

Aging and Rehabilitative Services does not use some required controls to protect a database that supports a critical system in the IT environment. The database contains sensitive information, such as personally identifiable information and operational data. We identified and communicated the weak controls to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia due to it containing specific descriptions of security mechanisms.

The Security Standard requires agencies to use specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability in systems processing or storing sensitive information.

Aging and Rehabilitative Services should dedicate the necessary resources to implement the controls discussed in the communication marked FOIAE and create a standard installation and configuration guide for its sensitive database that, at a minimum, meets the requirements in the Security Standard.

Improve Risk Management Process

Aging and Rehabilitative Services does not have a risk management process to support and protect its sensitive systems. Aging and Rehabilitative Services plans to bring its risk management process in compliance with the Security Standard during the next year. We identified and communicated the weak controls to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia due to it containing specific descriptions of security mechanisms.

The Security Standard requires agencies to use specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability in protecting sensitive information.

Aging and Rehabilitative Services should develop a risk management process that properly assesses its sensitive systems and complies with the requirements in the Security Standard. Aging and Rehabilitative Services should evaluate if the proper technical resources are in place to develop and manage a risk management process.

Improve Information Security Officer Designation

Aging and Rehabilitative Services does not position the Information Security Officer (ISO) role in an organizationally independent unit from the Chief Information Officer (CIO). The Security Standard, Section 2.4.1, recommends that the ISO report directly to the agency head, where practical, and should not report to the CIO.

Aging and Rehabilitative Services' IT division provides support to the Disability Services Agencies that includes four agency heads and does not believe it is practical having one ISO report to all of them. Therefore, the ISO at Aging and Rehabilitative Services reports to the CIO. Also, the ISO has responsibility for information security operations in addition to his primary ISO responsibilities.

Having the ISO role reporting to the CIO may limit effective assessment and necessary recommendations of security controls in the organization due to possible competing priorities that sometimes face the CIO. In establishing its Information Security Officer within the organization, Aging and Rehabilitative Services did not fully consider the need for full independence of the Information Security Officer and the Information Security Office.

Aging and Rehabilitative Services should evaluate the organizational placement of the ISO to eliminate any conflicts of interest in the implementation of its information security program and controls. While it may not be feasible to have the ISO report directly to the agency head, Aging and Rehabilitative Services should consider placing the ISO role in a different organizational unit reporting to another executive-level position.

Create Payroll Policies and Procedures and Document Pre-Certification Activities

Type of Finding: Internal Control and Compliance

Aging and Rehabilitative Services' payroll policies and procedures do not adequately reflect the payroll department's processes. While the payroll department has documented policies and procedures, multiple sections of the policies refer to the relevant Commonwealth Accounting Policies and Procedures Manual (CAPP) topics as the department's policy, rather than specifically documenting procedures executed by the payroll department. Furthermore, the current pre-certification documentation does not adequately document the pre-certification activities performed by the payroll accountants. Therefore, we were only able to verify compliance with CAPP Manual pre-certification policies through interviews and walkthroughs with the payroll accountants.

While the CAPP Manual provides payroll processing guidance to agencies, it states that the CAPP Manual procedures alone should never eliminate the need and requirement for each agency to publish its own policies and procedures documents, approved in writing by management. CAPP Manual Topic 50815 requires policies and procedures governing pre-certification activities. In addition, the CAPP Manual also requires that agencies retain certification packages until audited.

Due to limited personnel resources and the workload of processing payroll for all of the Disability Services Agencies, the payroll department has not prioritized or allocated the resources to document comprehensive internal policies and procedures, nor have they developed a policy that requires auditable documentation be retained to support adherence with the Commonwealth Accounting Policies and Procedures (CAPP) Manual. The lack of comprehensive internal policies and procedures reflects inadequate internal controls and may result in employees completing required tasks incorrectly, inefficiently, or inconsistently. Furthermore, without adequate documentation of

the pre-certification activities, the payroll department cannot adequately demonstrate compliance with Commonwealth Accounting Policies and Procedures.

The payroll department should allocate and prioritize appropriate resources to ensure the creation of documented payroll policies and procedures that management approves and communicates to employees. The policy should ensure that the payroll department creates and retains documentation for audit purposes. In addition, management should periodically review the policies and procedures to determine whether they need to be updated as a result of changes in agency systems or other processes.

Improve Documentation to Support Pay Actions

Type of Finding: Internal Control and Compliance

Aging and Rehabilitative Services' Human Resources Department could not provide adequate evidence of the approval of pay changes for 14 employees at Aging and Rehabilitative Services and the Department for the Blind and Vision Impaired (Blind and Vision Impaired). The Human Resources Department conducted a compensation study for counselors and recommended an increase in the minimum salary for counselors. The Human Resources Analyst communicated and discussed the study's results and recommendations with both agencies' Commissioners, and the Commissioners verbally approved the pay changes, but did not document their approval.

In addition, one Wilson Workforce Rehabilitation Center (Wilson Workforce) employee received time and a half overtime pay from July 2012 until February 2013 based on the Authorization for Compensatory Leave/Overtime Payment form and information in the Personnel Management Information System (PMIS); however, the individual's employee work profile and Human Resource Action Worksheet for that time period identified the employee's Fair Labor Standards Act (FLSA) status as exempt, not eligible for time and a half. A Human Resources Analyst worked with the employee's supervisor to clarify the employee's duties and later determined that the employee's position is a non-exempt position. As a result, Wilson Workforce properly paid the employee, but the employee's status was not consistent or accurate across all sources.

According to CAPP Manual Topic 50135, agencies must ensure that documentation and authorization exists for all employee record changes and payroll transactions. Without documentation of approval of salary changes and accurate FLSA determinations, agencies cannot support employee salaries and may compensate employees incorrectly.

The Compensation and Review Process policy does not specify how the Commissioner should approve compensation change. As a result, the Human Resources Department considered the Commissioner's verbal approval adequate; therefore, they did not request or obtain any additional documentation of the Commissioner's approval. Furthermore, there is no process to ensure that the employee work profile and Human Resource Action Worksheet (HRAW) support the FLSA status input in PMIS. As such, when the Human Resources Department incorrectly identified the employee's position as an exempt position, no one in Human Resources identified that the

information input in PMIS did not agree with what was documented on the employee work profile or on the employee's HRAW.

Aging and Rehabilitative Services should implement policies that require all employees' pay be supported by documented approvals. In addition, Aging and Rehabilitative Services should implement policies to ensure that the Human Resources Department correctly identifies the FLSA status and inputs information into PMIS that is correct and properly supported.

Ensure Hours Worked by Wage Employees Do Not Exceed 1500 hours

Type of Finding: Internal Control and Compliance

Wilson Workforce had two employees that exceeded the allowable hours worked threshold for wage employees. Wilson Workforce later changed one of the employees to a classified employee, but this was after exceeding the threshold. Wage employees are not eligible for benefits under the health care plan.

Chapter 806 of the 2013 Virginia Acts of Assembly states that, "State employees in the legislative, judicial, and executive branches of government, the independent agencies of the Commonwealth, or an agency administering their own health plan, who are not eligible for benefits under the health care plan established and administered by the Department of Human Resource Management ("DHRM") pursuant to Va. Code § 2.2-2818, may not work more than 29 hours per week on average over a twelve month period." DHRM guidance for determining compliance with this requirement defines the Initial Standard Measurement Period as May 1, 2013, through April 30, 2014.

Supervisors are not using the information provided by the Human Resources Department to ensure that employees do not work more than the allowable hours. Furthermore, supervisors are not enforcing the Appropriation Act requirement. Not complying with Chapter 806 of the 2013 Virginia Acts of Assembly subjects Wilson Workforce to potential financial penalties for violation of the Federal Affordable Health Care Act by allowing employees to work over the threshold and not receive healthcare benefits.

Supervisors should use the information provided by Human Resources to monitor and enforce compliance with the Appropriation Act. Furthermore, management should hold supervisors accountable for ensuring that employees do not exceed the allowable hours worked threshold. This should include identifying employees that could potentially exceed the threshold as they approach the threshold rather than after exceeding it.

Remove CIPPS Access Promptly

Type of Finding: Internal Control and Compliance

Aging and Rehabilitative Services' Automated Financial Systems Specialist and the Training and Staff Development Coordinator did not remove access to the Commonwealth Integrated Payroll/Personnel System (CIPPS) timely for three terminated employees. Terminated individuals

retained access to the system between 32 and 96 days after separating from the agency. This violates the Commonwealth's Information Security Standard, SEC 501-08, AC-2 g-h, which requires the removal of system access for terminated or transferred employees.

Aging and Rehabilitative Services did not have an adequate process to notify the Automated Financial Systems Specialist or the Training and Staff Development Coordinator of employee terminations so that they could remove access timely. Untimely removal of user access increases the risk of unauthorized individuals inappropriately entering or approving transactions in the system.

Aging and Rehabilitative Services should evaluate employee separation procedures to ensure that the Automated Financial Systems Specialist and the Training and Staff Development Coordinator are notified when employees terminate, so that they can remove access to the financial systems promptly.

Perform CIPPS/CARS Reconciliations

Type of Finding: Internal Control and Compliance

Aging and Rehabilitative Services' Fiscal Division is not reconciling CIPPS and the Commonwealth Accounting and Reporting System (CARS) as required by CAPP Manual topic 50820. While the Payroll Supervisor manually reviews CIPPS reports to determine if the CARS program and project codes appear to be reasonable and to identify items that may be on the default report, there is no documentation of this process. Furthermore, this process is not reconciling CIPPS and CARS.

The Fiscal Division currently does not have a process or policy to reconcile CIPPS and CARS because they incorrectly interpreted the CAPP Manual requirement for reconciliations. Without reconciling the two systems, the fiscal division is unable to ensure that they are charging payroll expenses to the correct programmatic codes. Furthermore, not performing the reconciliation may cause errors or discrepancies in either system to go undetected. Aging and Rehabilitative Services' Fiscal Division should develop a method to stay informed of all CAPP Manual requirements, while specifically developing a procedure for reconciling CIPPS and CARS as required by the CAPP Manual. The procedure should ensure that the reconciliation is timely, adequately documented, and reviewed.

Perform myVRSNavigator Reconciliations

Type of Finding: Internal Control

Aging and Rehabilitative Services' Human Resources Department is not reconciling the Contribution Snapshot generated by the Virginia Retirement System's (Retirement System) myVRSNavigator (VNAV) system to ensure that the creditable compensation in PMIS agrees to the creditable compensation amount in VNAV. In addition, Human Resources is not correcting PMIS and/or VNAV for exceptions reported in the Retirement System's automated reconciliation reports for any of the agencies. The Payroll Department does maintain documentation of cleared automated reconciliation report items in CIPPS, but there is no documentation that they have reviewed the automated reconciliation reports if there are no reconciling items. Furthermore, we

could only verbally substantiate that the Human Resources Department reviewed and corrected exceptions noted on the PMIS Cancelled Records Report because they do not document their review. Lastly, the Human Resources and Payroll Departments do not have documented procedures of the department's reconciliation and confirmation process.

Department of Accounts' Payroll Bulletin 2013_02 instructs agencies to reconcile the creditable compensation in PMIS to the creditable compensation in VNAV and review and correct items on the PMIS Cancelled Records Report prior to certifying the snapshot. It also instructs agencies to review the Retirement System automated reports and make appropriate corrections. While the payroll bulletin and information from the Retirement System provides guidance to agencies, that guidance does not eliminate the need and requirement for Aging and Rehabilitative Services to publish its own policies and procedures documents, approved in writing by management.

The Human Resources Department lacks an understanding of the reconciliation requirements. Furthermore, the Human Resources and Payroll Departments lack an understanding of how to document reconciliations adequately. Inadequate reconciliations can cause errors to members' retirement related data. It can also lead to the Disability Services Agencies under- or overpaying retirement contributions to the Retirement System, which can create complications when members retire.

The Human Resources and Payroll Departments should immediately gain an understanding of the reconciliation requirements. The Human Resources Department should establish procedures to ensure that they reconcile PMIS and VNAV and clear all unreconciled items requiring changes in either PMIS or VNAV. In addition, Human Resources should review and clear the PMIS Cancelled Records Reports. Both of these procedures should be completed prior to snapshot confirmation. Human Resources should also address all items reported in the Retirement System's automated reconciliation reports that require a correction in PMIS and/or VNAV. Human Resources and Payroll should document the departments' reconciliation policies and procedures and retain sufficient documentation that supports the VNAV reconciliation and confirmation process.

Re-evaluate myVRS Access

Type of Finding: Internal Control and Compliance

Four individuals in Aging and Rehabilitative Services' Fiscal Division have unnecessary access to the VNAV system. Individuals' supervisors could not explain some roles and responsibilities that required the access. In addition, the Security Administrator assigned roles to individuals that are not a part of Aging and Rehabilitative Services' business processes. When determining role assignments, the Security Administrator, Human Resources Director, and Accounting Manager did not have an understanding of the access roles to assign roles accurately. Furthermore, the Security Administrator did not perform a subsequent review of the access to determine reasonableness of the assigned access.

The Commonwealth's Information Security Standard, SEC 501-8 AC-6 and AC-2-COV, states that access should be granted based on the principle of least privilege and be promptly removed when no longer needed. Assigning unnecessary access to VNAV increases the risk of individuals making unauthorized transactions that could potentially affect someone's future retirement benefits. Furthermore, not having an understanding of the access roles increases the risk of assigning individual's roles that would allow them to circumvent internal controls.

The Security Administrator and all individuals involved in assigning access should gain an understanding of the VNAV access roles and re-evaluate current roles assigned to all staff. Further, those assigning access should only assign roles needed for job responsibilities and Aging and Rehabilitative Services' business processes. The Security Administrator should immediately remove unnecessary roles assigned to individuals. In addition, the Security Administrator should periodically review the access assigned and remove any unnecessary access.

Improve Policies and Documentation of Checks Received at the Industries for the Blind

Type of Finding: Internal Control and Compliance

Aging and Rehabilitative Services' Fiscal Division is not depositing receipts for the Virginia Industries for the Blind (Industries for the Blind) timely for payments that the Industries for the Blind receives. Typically, Aging and Rehabilitative Services receives payments directly and deposits them timely. However, there are instances where customers remit payments directly to the Industries for the Blind. Industries for the Blind forwards the payment to Aging and Rehabilitative Services but does not create a log or reconcile it to what Aging and Rehabilitative Services deposits to ensure all payments are deposited. Further, there is no formal policy regarding the timely forwarding of checks to Aging and Rehabilitative Services. As a result, Aging and Rehabilitative Services is unable to deposit payments sent directly to Industries for the Blind timely. CAPP Manual Topic 20205 states that state agencies should deposit all receipts on the day received or no later than the next banking day, unless the Department of Accounts has granted an exception. The lack of a policy and process over the receipt, recording, forwarding, and reconciling of payments received by the Industries for the Blind and deposited by Aging and Rehabilitative Services increases the risk of payments being lost or stolen.

Industries for the Blind should develop and implement written policies and procedures related to the timely processing of checks received. These policies should include maintaining a check log that includes the receipt date, payee, check number, check amount, and the date the check is sent to Aging and Rehabilitative Services for deposit. The policies should further address the proper safeguarding of checks and the timeframe for forwarding checks to Aging and Rehabilitative Services' Fiscal Division for deposit. Additionally, the policy should address the need to reconcile the check log at the Industries for the Blind with the check log at Aging and Rehabilitative Services. Further, Industries for the Blind and the Aging and Rehabilitative Services' Fiscal Division should evaluate the need to request an exception to CAPP Manual Topic 20205 from the Director of General Accounting at the Department of Accounts.

AGENCY HIGHLIGHTS

The Disability Services Agencies provide a number of services to the Commonwealth's disabled and aging population. Aging and Rehabilitative Services provides administrative functions for all of the Disability Services Agencies through a memorandum of agreement. Aging and Rehabilitative Services provides administrative services in the areas of human resources, payroll, information technology, procurement, fleet, fiscal, and internal audit.

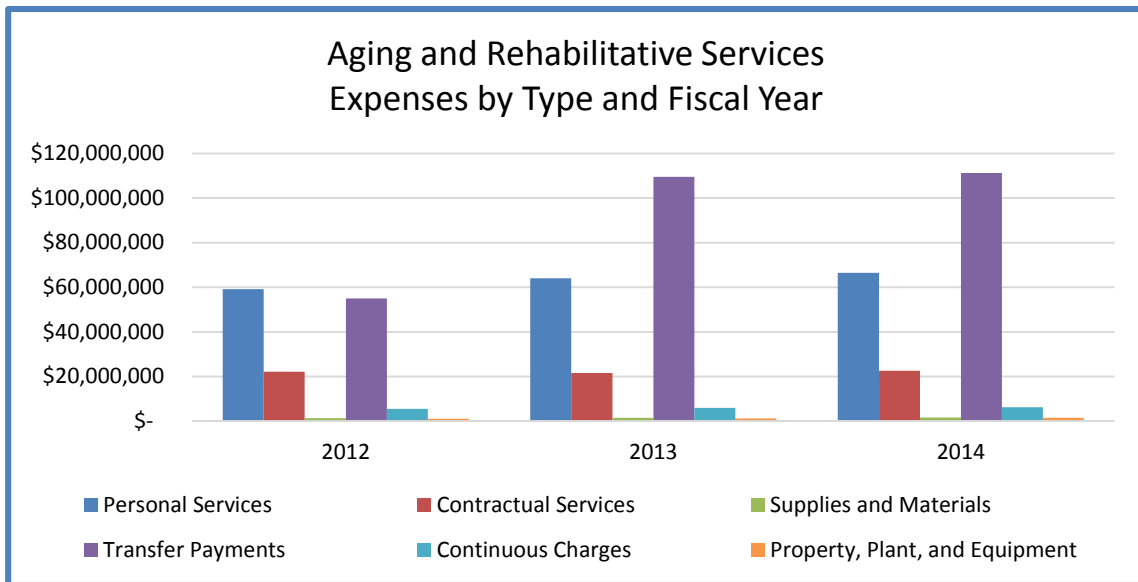
AWARE, Accessible Web-based Activity and Reporting Environment, is a case management system used to support the delivery of vocational rehabilitation services. AWARE tracks goods and services provided to participants, manages service authorizations, and includes processes to request and approve payments for authorized services. AWARE also collects information needed to complete federal reports. Aging and Rehabilitative Services, Wilson Workforce, Blind and Vision Impaired, and Virginia Rehabilitation Center for the Blind and Vision Impaired use AWARE. Aging and Rehabilitative Services uses the Financial Reporting and Transaction Entry system, FRATE, to process expense transactions for all Disability Services Agencies. Expense transactions are keyed directly into FRATE or are transmitted to FRATE from other applications such as AWARE.

The following is a description of the services provided by each of the Disability Services Agencies and financial information for each agency.

Department for Aging and Rehabilitative Services

Aging and Rehabilitative Services was created in July 2012 by the merging of the former Department of Rehabilitative Services and Department for the Aging. In July 2013, the adult services unit from the Department of Social Services (Social Services) joined Aging and Rehabilitative Services. Aging and Rehabilitative Services provides resources and services to improve the employment, quality of life, security, and independence of older Virginians, Virginians with disabilities, and their families.

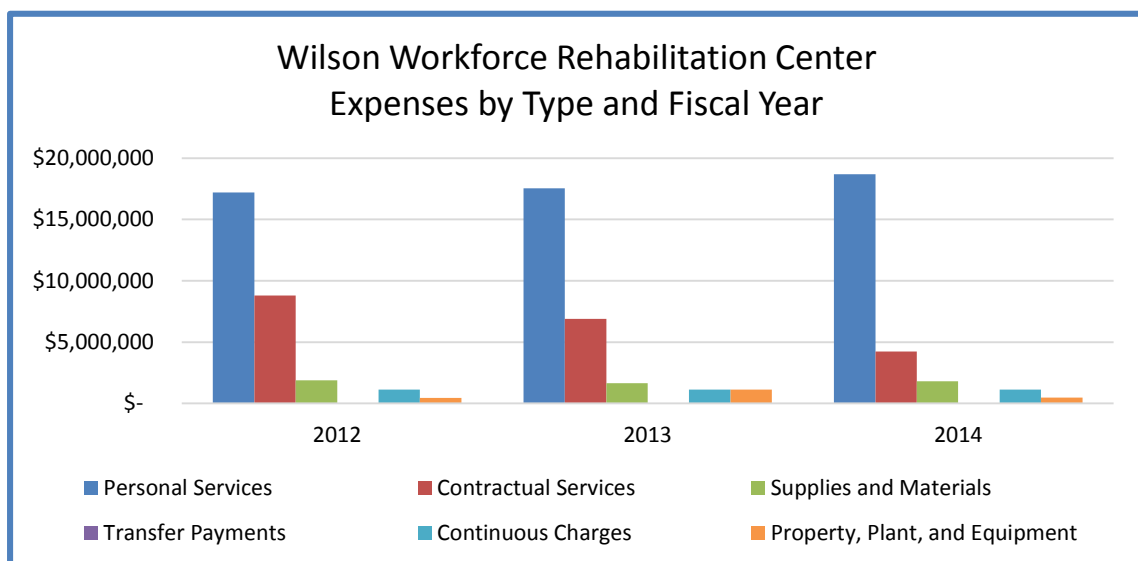
The chart below is an analysis of Aging and Rehabilitative Services expenses for fiscal years 2012 through 2014. Expense increases are a result of the merging of the two agencies and the adult services unit moving from Social Services to Aging and Rehabilitative Services. The majority of the expenses are for personal services and transfer payments. Personal Services consist of salaries and fringe benefits paid to Aging and Rehabilitative Services' employees. Transfer payments are payments made to the Area Agencies on Aging, payments to other Aging service providers, and payments for services provided to disabled individuals.



Wilson Workforce Rehabilitation Center

Wilson Workforce provides residential, outpatient, and community based medical rehabilitation services to individuals with functional limitations and physical disabilities through the Center's comprehensive rehabilitation facility.

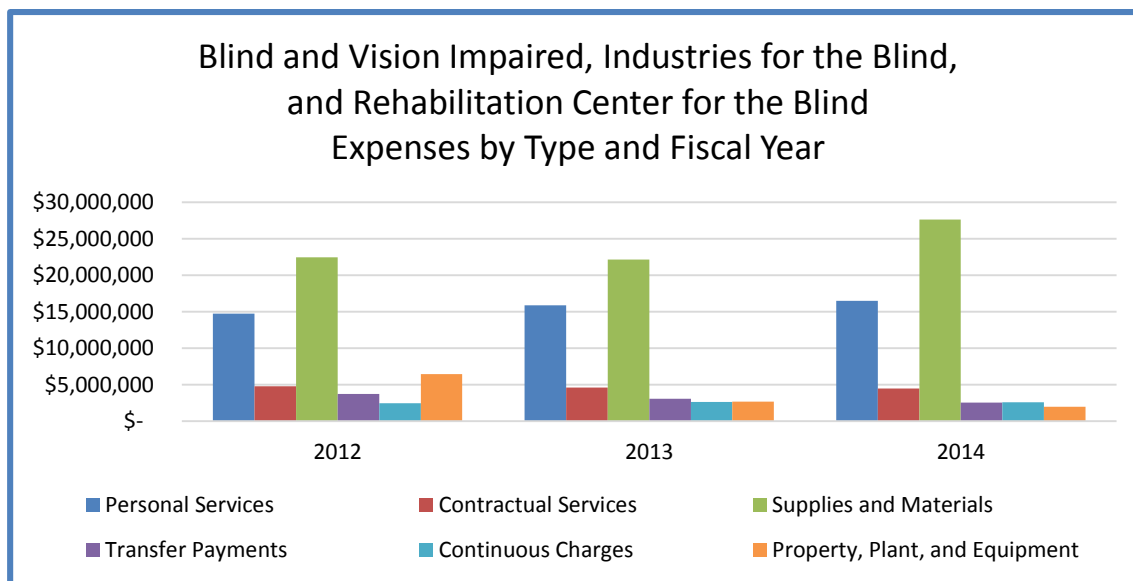
The table below is an analysis of Wilson Workforce's expenses for fiscal years 2012 through 2014. The majority of the expenses are for personal services, which are salaries and fringe benefits paid to Wilson Workforce's employees.



Department for the Blind and Vision Impaired

Blind and Vision Impaired provides vocational training, placement services, daily living skills instruction, orientation and mobility services, counseling, and training to individuals who are blind, deaf-blind, and visually impaired. Blind and Vision Impaired encompasses the Virginia Industries for the Blind, which provides employment opportunities, training and other vocational services to blind, visually impaired, and deaf-blind individuals across the Commonwealth, and the Virginia Rehabilitation Center for the Blind and Vision Impaired (Rehabilitation Center for the Blind), which provides residential and outpatient services to blind and visually impaired individuals. Services include orientation and mobility training, personal and home management training, access technology services, and Braille training.

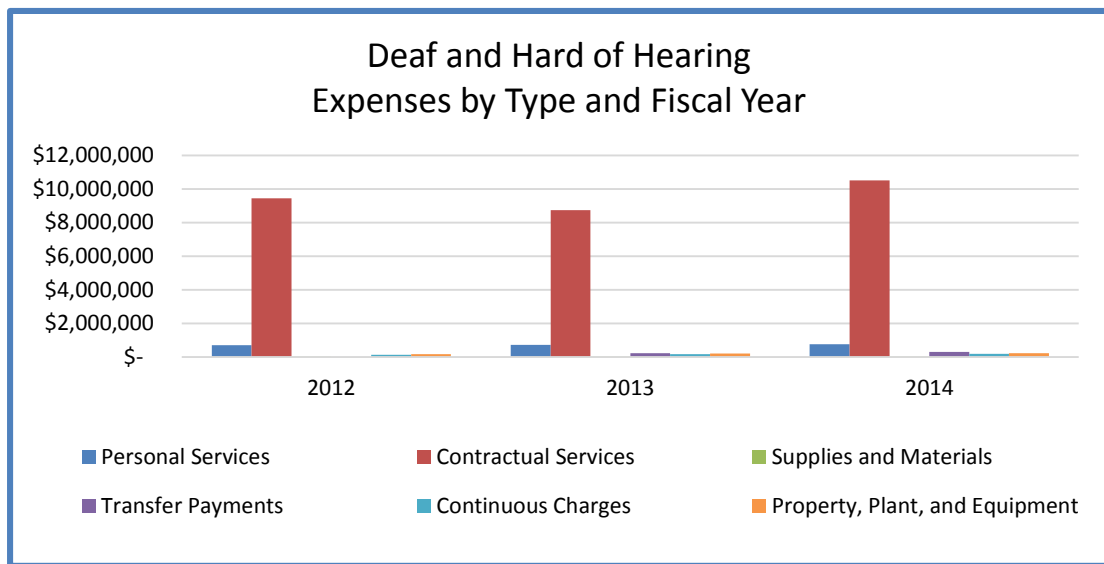
The table below is an analysis of Blind and Vision Impaired, Industries for the Blind, and Rehabilitation Center for the Blind's expenses for fiscal years 2012 through 2014. The majority of the expenses are for supplies and materials and personal services. Supplies and material purchases mainly support the agency's enterprise operations and personal services are salaries and fringe benefits paid to the agency's employees.



Department for the Deaf and Hard of Hearing

The Department for the Deaf and Hard of Hearing (Deaf and Hard of Hearing) provides interpreter programs, technology assistance programs, and outreach and assistance services to individuals who are deaf, hard of hearing, or deaf-blind. Deaf and Hard of Hearing also oversees Virginia Relay, a federally mandated telecommunications relay service that allows individuals to use specialized telecommunication devices to communicate with standard telephone users.

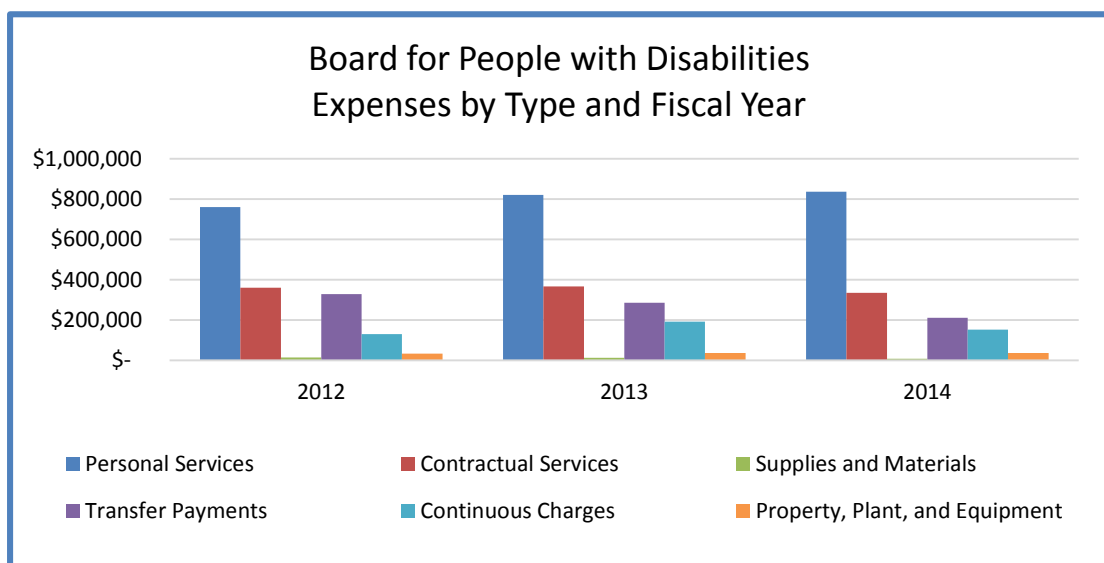
The table below is an analysis of Deaf and Hard of Hearing’s expenses for fiscal years 2012 through 2014. The majority of the expenses are for contractual services, which are the telecommunication relay services provided to hearing-impaired individuals.



Virginia Board for People with Disabilities

The Virginia Board for People with Disabilities (Board for People with Disabilities) serves as the Developmental Disabilities Planning Council, addressing the needs of people with developmental disabilities. The Board advises the Governor, the Secretary of Health and Human Resources, and legislators on issues related to people with disabilities in Virginia.

The table below is an analysis of the Board of People with Disabilities expenses for fiscal years 2012 through 2014. The majority of the expenses are for personal services, which are salaries and fringe benefits paid to employees.





Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

July 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 **Disability Services Agencies** for the period July 1, 2011, through 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 and the Financial Reporting and Transaction Entry Application, review the adequacy of the Disability Services Agencies' internal controls, test compliance with applicable laws, regulations, and contracts, and review corrective actions of audit findings from prior year reports.

Audit Scope and Methodology

The Disability Services Agencies' 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, and 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.

Expenses, including payroll
Cash receipting and collections (only for the Blind and Vision Impaired)
Information system security
Systems access

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

Conclusions

We found that the Disability Services Agencies properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and the Financial Reporting and Transaction Entry Application. The Disability Services Agencies record their financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted certain matters involving internal control and its operation and compliance with applicable laws, regulations, and contracts that require management's attention and corrective action. These matters are described in the section entitled "Audit Findings and Recommendations."

The Disability Services Agencies have taken adequate corrective action with respect to 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 August 4, 2015. 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.

AUDITOR OF PUBLIC ACCOUNTS

DBC/alh



COMMONWEALTH OF VIRGINIA
DEPARTMENT FOR AGING AND REHABILITATIVE SERVICES

JAMES A. ROTHROCK
Commissioner

8004 Franklin Farms Drive
Henrico, VA 23229

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

August 6, 2015

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

Dear Ms. Mavredes:

The Agencies Serving Virginians with Disabilities appreciates the opportunity to respond to the findings and recommendations contained in your audit report of the Agencies' financial activities administered by the Department for Aging and Rehabilitative Services (DARS) for the fiscal years end June 30, 2012 to June 30, 2014.

We concur with the findings and are adopting strategies to improve the internal control environment of our agencies. Our responses are listed below.

Continue to Improve IT Governance

The agency will resolve the outstanding issues and update policies and procedures accordingly. The projected completion date is December 31, 2016.

Create Payroll Policies and Procedures and Document Pre-Certification Activities

The agency will develop a policies and procedures manual for payroll services and has completed the adoption of a revised pre-certification worksheet. The projected completion date is June 30, 2016.

Improve Documentation to Support Pay Actions

The agency will ensure that all approvals are in writing and included with documentation in the file. This will be added to internal business procedures related to approval of compensation actions. The estimated completion date is September 30, 2015.

Ensure Hours Worked by Wage Employees Do Not Exceed 1500 hours

Human Resources provide information on wage employee hours to supervisors and managers every three months during the measurement period of May 1 to April 30. Employees whose hours appear excessive are highlighted.

During the last three months of the measurement period, the information is also sent to agency heads to notify them of the status. This has been completed.

Remove CIPPS Access Promptly

Fiscal Staff receive system notifications when employees with access to financial systems, including CIPPS, terminate employment. Additionally, each pay period the Payroll Supervisor distributes a list of DSA employees that have terminated employment or are on extended leave. This has been completed.

Perform CIPPS/CARS Reconciliations

The agency will perform CIPPS/CARS reconciliation monthly. The estimated completion date is July 30, 2015.

Perform myVRSNavigator Reconciliations

The agency will develop policies and procedures and perform VNAV reconciliation monthly. The estimated completion date is November 30, 2015.

Re-evaluate myVRS Access

The agency will ensure the most appropriate VNAV access roles and new access agreements will be sent to VRS. The estimated completion date is September 30, 2015.

Improve Policies and Documentation of Checks Received at the Industries for the Blind

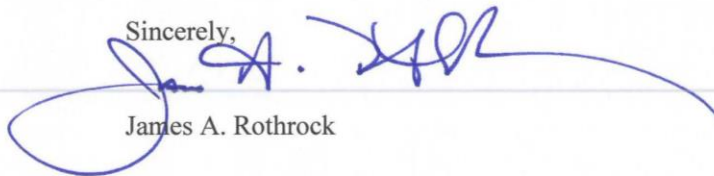
The agency will ensure that checks are mailed directly to DARS Fiscal Division to meet the requirement to have checks deposited same day or next day. The estimated completion date is November 30, 2015.

The agency appreciated the knowledge and professionalism of Shatima Taylor, Auditor in Charge, and Blake Bialkowski, ISS Auditor during the audit review.

Should you require more information, please do not hesitate to contact John Thaniel, Chief Financial Officer at john.thaniel@dars.virginia.gov or 804-662-7520.

With best regards, I am

Sincerely,

A handwritten signature in blue ink, appearing to read "James A. Rothrock", is written over a horizontal line.

James A. Rothrock

dars@dars.virginia.gov · www.dars.virginia.gov

AGENCY OFFICIALS

James Rothrock, Commissioner
Department for Aging and Rehabilitative Services

Raymond Hopkins, Commissioner
Department for the Blind and Vision Impaired

Ronald Lanier, Director
Department for the Deaf and Hard of Hearing

Heidi Lawyer, Executive Director
Virginia Board for People with Disabilities