

DEPARTMENT OF CRIMINAL JUSTICE SERVICES

**REPORT ON AUDIT
FOR THE TWO-YEAR PERIOD ENDED
JUNE 30, 2008**



AUDIT SUMMARY

Our audit of the Department of Criminal Justice Services for the two-year period ended June 30, 2008, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- two matters involving internal control and its operations necessary to bring to management's attention; and
- no instances 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 Information Systems Security Program

The Department of Criminal Justice Services (Criminal Justice Services) has improved its information security program since our last audit, but there are some key components that still require strengthening to be fully compliant with the Commonwealth's information security standards. Criminal Justice Services has documented a business impact analysis, a risk assessment, and a continuity of operations plan; however, the essential business functions are not consistent throughout these documents. Criminal Justice Services should continue to strengthen its Information Security Program by ensuring the various components of the plan are consistent and complete.

Improve Internal Controls Over Grant Payments

Our sample of grant payments included payments under the Comprehensive Community Corrections grant and the Offender Re-entry and Transition Services grant, and we found no documentation of a grant monitor's review and approval of progress reports before Criminal Justice Services made payment to the grantee. We recommend Criminal Justice Services make sure that grant monitors document, review, and approve progress reports before making grant payments. The documentation of the review and approval process shows that the grant monitor is ensuring that the grantee is performing the tasks of the grant and therefore the grantee is entitled to payment.

AGENCY HIGHLIGHTS

The Department of Criminal Justice Services provides operational and support services to local governments to promote and enhance public safety. Criminal Justice Services distributes federal and state funding to localities, state agencies, and nonprofit organizations in the areas of law enforcement, prosecution, crime and delinquency prevention, juvenile justice, victims services, corrections, and information systems. Criminal Justice Services also provides training, technical assistance, and program development services to all segments of the justice system.

FINANCIAL SUMMARY

Criminal Justice Services receives primarily General Fund Appropriations to fund local police departments. These local police department payments, commonly referred to as House Bill 599 payments, account for almost 75 percent of the agency's entire budget. In fiscal year 2008, Criminal Justice Services' original budget included an additional \$11.7 million for House Bill 599 payments; however, in October 2007 as part of the Governor's budget reduction plan, Criminal Justice Services had this funding reduced.

Criminal Justice Services also gets funding from several federal criminal justice grants and various fees collected by courts. They use this funding to award criminal justice grants to localities. They also administer the Forfeited Shared Asset program and regulate private security services. A summary of budgeted and actual activity by program for fiscal years 2007 and 2008 is below.

Analysis of Budgeted and Actual Expenses by Program for Fiscal Year 2007

<u>Program</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
Administrative and Support Services	\$ 2,093,393	\$ 2,406,506	\$ 2,126,780
Asset Forfeiture and Seizure Management	5,402,709	4,737,709	3,568,273
Criminal Justice Research, Planning, and Coordination	544,951	191,573	191,572
Criminal Justice Training/Education/Standards	1,707,118	2,143,817	2,111,740
Financial Assist For Administration of Justice Services	75,351,270	74,525,048	57,652,570
Financial Assistance to Localities - General	206,339,291	206,339,291	206,339,290
Regulation of Professions and Occupations	<u>2,020,196</u>	<u>2,685,196</u>	<u>2,509,195</u>
Total	<u>\$ 293,458,928</u>	<u>\$293,029,140</u>	<u>\$ 274,499,420</u>

Analysis of Budgeted and Actual Expenses by Program for Fiscal Year 2008

<u>Program</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
Administrative and Support Services	\$ 2,096,123	\$ 2,326,410	\$ 1,995,857
Asset Forfeiture and Seizure Management	5,402,709	6,574,813	6,423,215
Criminal Justice Research, Planning, and Coordination	644,951	\$427,409	427,408
Criminal Justice Training/Education/Standards	1,707,118	2,277,140	2,242,964
Financial Assist For Administration of Justice Services	79,701,207	81,191,662	62,872,403
Financial Assistance to Localities - General	215,791,448	205,001,876	205,001,828
Regulation of Professions and Occupations	<u>2,006,640</u>	<u>2,833,369</u>	<u>2,721,620</u>
Total	<u>\$ 307,350,196</u>	<u>\$ 300,632,679</u>	<u>\$ 281,685,295</u>

Source: Commonwealth Accounting and Reporting System



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

January 30, 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 Department of Criminal Justice Services (Criminal Justice Services) for the period July 1, 2006, through 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 in the Commonwealth Accounting and Reporting System, review the adequacy of Criminal Justice Services' internal controls, test compliance with applicable laws and regulations and review corrective actions of audit findings from prior year reports.

Audit Scope and Methodology

Criminal Justice Services' 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.

- Expenses, specifically transfer payments and payroll
- Appropriations
- Revenues
- Information Security

We performed audit tests to determine whether Criminal Justice Services' 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 and records, and observation of Criminal Justice Services' operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that Criminal Justice Services properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. Criminal Justice Services 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 that require management's attention and corrective action. These matters are described in the section entitled "Audit Findings and Recommendations." The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Criminal Justice Services has 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 March 9, 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

lcw/alh



COMMONWEALTH of VIRGINIA

Department of Criminal Justice Services

Leonard G. Cooke
Director

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March 10, 2009

Mr. David A. Von Moll, State Comptroller
Department of Accounts
P.O. Box 1971
Richmond, Virginia 23218-197

Dear Mr. Von Moll:

This letter outlines the audit findings and the corrective action plan associated with the audit conducted on the financial records for the Department of Criminal Justice Services, for the fiscal year ending June 30, 2007 and June 30, 2008.

1. Audit Finding – Strengthen Information Systems Security Program

The Department of Criminal Justice Services (DCJS) has improved its information security program since our last audit, but there are some key components that still require strengthening to be fully compliant with the Commonwealth's information Security standards. DCJS has documented a business impact analysis, a risk assessment and continuity of operations plan; however, the essential business functions are not consistent throughout these documents.

Corrective Action

The Department of Criminal Justice Services (DCJS) will endeavor to synchronize its Business Impact Analysis (BIA), Risk Assessment (RA) and Continuity of Operation (COOP) plans. While these plans and documents were written at different times for different purposes and in different formats, all will be rewritten to insure consistency and completeness between each. Additionally, the DCJS will endeavor to test its COOP plan (disaster recovery). However, the testing of this aspect of the COOP plan requires the cooperation of the VITA/NG Partnership since the ownership of the entire IT infrastructure utilized by DCJS, resides with that entity. DCJS has requested the Partnership's assistance, and will continue to follow-up with the Partnership periodically until a testing environment is established and coordinated and a disaster recovery test is scheduled and conducted.

2. Audit Finding – Improve Internal Controls Over Grant Payments

The Auditor of Public Accounts sample of grant payments included payments under the Comprehensive Community Corrections grant and the Offender Re-entry and Transition Services grant. There was no documentation found to support that the grant monitors reviewed and approved the progress report before the grant payments were made.

Corrective Action

In order to improve the internal controls over grant payments, the DCJS grant monitors will review and approve quarterly progress reports, when required, before grant funds are disbursed. DCJS will work to automate this task through the Grants Management Information System (GMIS) so that the progress reports must be approved, or the sub grantee will not be allowed to submit a request for funds.

We are hopeful these corrective actions fully meet the requirements set forth by your office and the Auditor of Public Accounts. Please contact Reeva Tilley, Chief Financial Officer, at 786-3746, if you have any further questions.

Sincerely,



Leonard G. Cooke
Director

cc: John W. Marshall, Secretary of Public Safety
Daniel Timberlake, Director, Department of Planning and Budget
Walter J. Kucharski, Auditor of Public Accounts

SECRETARY AND AGENCY OFFICIALS

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Leonard G. Cooke, Director

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