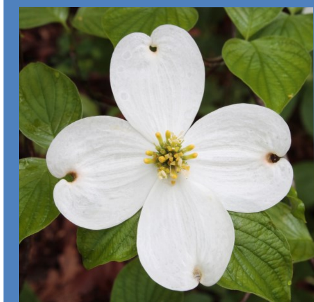

VIRGINIA EMPLOYMENT COMMISSION

REPORT ON AUDIT

FOR THE YEAR ENDED

JUNE 30, 2017

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

AUDIT SUMMARY

Our audit of the Virginia Employment Commission (Commission) for the fiscal year ended June 30, 2017, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's accounting and financial reporting system, and the Commission's benefits, tax, and financial systems.

- 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.

We found that the Commission has taken adequate corrective action to resolve audit findings reported in the prior year that are not repeated within this report. Those findings that report on issues that were not resolved from our previous audit are identified as Repeat. This report also contains an update on the status of a major ongoing system implementation as well as background information regarding the operations and financial activities of the Commission.

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AUDIT FINDINGS AND RECOMMENDATIONS

INFORMATION SYSTEMS

Continue to Upgrade Unsupported Technology
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: Yes
Prior Title: Upgrade Unsupported Technology

The Commission continues to lack a formal process to ensure that the Commission does not use out-of-date software, resulting in the continued use of unsupported software platforms to run some of its mission critical and sensitive systems. Retired and unsupported software no longer receive updates and patches to remedy recently discovered vulnerabilities.

We communicated the details of these control 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 its sensitivity and description of security controls.

The Commission should develop formal policies and procedures to proactively respond to End-of-Life (EOL) announcements from vendors and ensure the information technology (IT) environment is not susceptible to the weaknesses associated with EOL technology. This process includes reviewing vendor EOL announcements, identifying the impact to the IT environment, and developing and implementing plans to upgrade and decommission the software platform prior to the EOL date.

The Commission should also continue to migrate its systems that run outdated and unsupported software. As the corrective action plan has a final expected completion date of December 2017, the Commission should file for and receive an approved exception that includes a description of compensating controls that will reduce the software vulnerability risk. The exception request should also include the Commission's corrective action plan for migrating these systems. This will reduce the risks of compromising confidentiality, integrity, and availability of sensitive Commonwealth data and achieve compliance with the Commonwealth's Information Security Standard (Security Standard), SEC 501.

Continue to Improve Oversight over IT Risk Assessments
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: Yes

The Commission continues to operate with outdated IT risk assessments. The Commission identifies 74 systems as sensitive in its IT System and Data Sensitivity Classifications; however, the Commission only has an Agency Common Control risk assessment and three sensitive system risk assessments that are within the required three-year timeframe.

The Commission contracted an external consultant to perform the Agency Common Control risk assessment and ten of the 74 IT system risk assessments. While the Agency Common Control risk assessment was completed, the Commission estimates to complete the ten IT system risk assessments by December 31, 2017, and all IT system risk assessments completed by December 31, 2019. The Agency Common Control risk assessment evaluates the risks for the overall agency that would affect all IT systems and business functions, but does not evaluate the risks, vulnerabilities, and recommended controls for the individual IT systems' varying platforms.

The Security Standard, section 6.2, requires the Commission to conduct and document a risk assessment of each sensitive IT system as needed, but not less than once every three years. Additionally, section 6.2 of the Security Standard requires the Commission to conduct and document an annual self-assessment to determine the continued validity of risk assessments.

Without having current and complete risk assessments, the Commission increases the risk that existing weaknesses in sensitive systems will remain undetected and unmitigated. These undetected weaknesses increase the risk of malicious users to compromise the system and data, and potentially making the system unavailable. Additionally, the Commission cannot effectively prioritize future security audits over sensitive systems based on the related risks.

The Commission delayed completing its sensitive IT system risk assessments in order to first complete the Agency Common Control risk assessment, which will assist in evaluating risks for its sensitive systems. The Commission is making progress in completing ten of its sensitive IT system risk assessments with an expected completion date of December 31, 2017.

The Commission should continue its efforts in prioritizing corrective actions to develop IT risk assessments for all IT systems deemed sensitive. In addition, the Commission should maintain oversight of the IT risk assessments by conducting and documenting annual self-assessments.

Continue to Improve Oversight over Third-Party Service Providers

Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: Yes

The Commission continues to improve its oversight over third-party service providers (providers) by finalizing a formal process to gain assurance over outsourced operations. Providers are entities that perform outsourced tasks or functions on behalf of the Commonwealth. The Commission outsources several of its mission critical business functions related to the Unemployment Insurance program, including hosting of its online claims portal for Unemployment Insurance benefit payments.

The Commonwealth's Hosted Environment Information Security Standard, SEC 525 (Hosted Environment Security Standard), section 1.1, states that agency heads remain accountable for maintaining compliance with the Hosted Environment Security Standard through documented agreements with providers and oversight of services provided. Additionally, section SA-9-COV-3 requires the Commission to perform a security audit or review an audit report of the provider’s environment on an annual basis.

Without a formally defined process to gain assurance over providers’ IT environments, the Commission cannot consistently validate that those providers have effective IT controls to protect its sensitive data.

To address this issue, the Commission is implementing Enterprise Cloud Oversight Services (ECOS). The Virginia Information Technologies Agency (VITA) provides this service, which includes evaluation of independent audit assurance for the Commission’s providers. This is a change from the Commission’s original corrective action plan as VITA only recently announced this service. The Commission expects to complete negotiations for ECOS with VITA by December 31, 2017.

The Commission should continue their efforts to finalize negotiations with VITA for the ECOS services to gain assurance over outsourced operations. This includes developing formal policies and procedures for the Commission’s responsibilities for maintaining oversight of its providers. Finally, the Commission should maintain oversight over the ECOS services to confirm that VITA and providers are compliant with the provisions set forth within the Hosted Environment Security Standard and written agreements.

Continue to Improve Database Security
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: Yes

The Commission continues to improve some security controls in a database that supports mission critical business functions. The Commission resolved seven of ten control weaknesses identified in the fiscal year 2016 audit. The Security Standard requires agencies to implement certain minimum controls to safeguard data that is stored in database systems.

We have communicated the details of the remaining control weaknesses to management in a separate document marked FOIAE under Section 2.2-3705.2 of the Code of Virginia due to its sensitivity and description of security controls.

The Commission should continue its efforts towards developing, implementing, and maintaining documented policies and procedures for the administration and security of all databases within its environment. The Commission should also continue its efforts to implement and improve the controls discussed in the communication marked FOIAE to meet, at a minimum, the requirements in the Security Standard and applicable industry best practices. If deviations from the Security Standard are necessary, the Commission should document reasons and compensating controls in place for those deviations.

Evaluate, Revise, and Implement the Change Management Process
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

The Commission does not maintain oversight over some changes related to a network device to ensure changes comply with the Commission's internal Change and Configuration Management Plan (Policy) and the Security Standard. We communicated the details of the five control weaknesses to management in a separate document marked FOIAE under Section 2.2-3705.2 of the Code of Virginia due to its sensitivity and description of security controls.

The Commission should revise its policy and procedures to ensure requirements are consistent with those outlined in the Security Standard. The Commission should also evaluate the change management process to determine whether all requirements are feasible for different types of changes. Additionally, the Commission should dedicate the necessary resources to develop and implement the change management controls discussed in the communication marked FOIAE to meet, at a minimum, the requirements in the Plan and Security Standard.

Risk Management and Contingency Planning Documentation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

The Commission does not maintain oversight over the revision of its IT Risk Management and Contingency Planning documents. As a result, the documents are inconsistent and do not reflect the Commission's critical business processes and supporting systems. Risk Management documents include the Commission's Business Impact Analysis (BIA), IT System and Data Sensitivity Classifications (Sensitivity Classifications), and IT System Risk Assessments (RA). Contingency planning documents include the Commission's Continuity of Operations (COOP) and Disaster Recovery Plans (DRP).

The IT Risk Management and Contingency Planning documents do not meet the following requirements as set forth in the Security Standard.

- The Commission does not use information documented in the BIA as a primary input to the Sensitivity Classifications, RAs, and COOP. The Commission's COOP identifies 12 mission essential functions (MEF); however, those 12 MEFs do not align with any of the 28 MEFs identified in the BIA (*Security Standard section 3.2.6 – Business Impact Analysis*).

- For 146 out of 177 internal systems identified in the BIA that support MEFs and primary business functions (PBF), recovery time objectives (RTO) do not exist or are inconsistent with the MEFs' RTOs identified in the BIA *(Security Standard section 3.2.5-6 – Business Impact Analysis*).

- One out of 74 sensitive IT systems as identified in the System Classifications do not have an assigned system administrator. (*Security Standard sections 2.7.5 – System Owner and 2.9 – System Administrator)*.

- The Commission does not prevent conflicts of interest or adhere to the security concept of separation of duties when assigning system owner, data owner, system administrator, and data custodian roles *(Security Standard section 2.4.10.b – Agency Head)*.

- The Commission does not document IT system ownership and boundaries for 73 out of 74 sensitive systems identified in the Sensitivity Classifications *(Security Standard section 5.2.1 – Sensitive IT System Inventory and Definition)*.

- The Commission does not have a formal process to ensure the IT system information documented in the COOP is consistent with the BIA, Sensitivity Classifications, and RAs *(Security Standard section CP-1-COV-1.2 – Contingency Planning Policy and Procedures)*.

- The Commission does not conduct an exercise annually, or more often as necessary, of the COOP and DRP to assess their adequacy and effectiveness, nor require a review and revision of those components following the exercise *(Security Standard section CP-1-COV-1 – Contingency Planning Policy and Procedures)*.

By having outdated risk management and contingency planning documentation, the Commission cannot accurately determine which information security controls to implement. This may result in the Commission spending too many resources on insignificant controls or not having enough controls to protect sensitive information. Additionally, the absence of regularly scheduled COOP and DRP testing may result in significant delays in restoring sensitive systems in the event of an actual emergency or disaster. This ultimately may result in the Commission not being able to recover its essential business functions and IT systems in a timely manner.

The Commission's lack of necessary resources and the transition to a new Information Security Officer at the time the revisions were made to the risk management and contingency planning documentation led to the multiple inconsistencies and weaknesses identified above.

The Commission should dedicate the necessary resources to prioritize its oversight function for its risk management and contingency planning documentation revisions. This includes developing a formal process to ensure the information within the documents is consistent, reflects the current environment, and addresses the weaknesses described above and found during the audit.

OTHER FINDING

<u>Submit Required Reports Timely</u>
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: Yes
Prior Title: Submit Required Reports

The Commission did not submit the quarterly Employment and Training Administration Contributions Operations Reports (ETA 581 Reports) by the required deadlines.

The ETA 581 Report provides information to the U.S. Department of Labor (Labor), which is used to measure the effectiveness of the tax program. According to the grant agreement between the Commission and Labor, the Commission should submit its required reports to Labor in a timely manner and in accordance with the Unemployment Insurance Reports Handbook, Number 401. This handbook states the ETA 581 Report for each calendar quarter is due by the 20th day of the second month following the quarter to which it relates. The Commission did not submit its past four ETA 581 Reports by the required deadlines.

The Commission implemented a new tax administration system in December of 2015 which generates the reports necessary to complete and submit the required ETA 581 Reports to Labor. Due to this recent system implementation, the Commission is performing additional procedures to ensure the accuracy of the reports. This had led to a delay in the Commission's ability to produce and submit the ETA 581 Reports by the required deadline.

The Commission should finalize the process used to prepare the ETA 581 Report and submit it by the required deadline each quarter. This will eliminate this particular risk of non-compliance to the reporting requirement.

STATUS OF SYSTEM DEVELOPMENT PROJECTS

The Commission has completed several system development initiatives in recent years, with one project, the Unemployment Insurance Modernization Project (UI Mod), continuing through fiscal year 2017 and into fiscal year 2018 and 2019. The UI Mod will replace multiple existing Mainframe-based software systems with a web-based platform and re-engineer the Commission's business processes.

In 2009, the Commission began efforts to replace its antiquated Mainframe-based systems originally built in the 1980's. Specifically, the UI Mod will support payments of benefits to unemployed workers, collection of taxes from employers, and the accumulation of wage data. The total project costs for the UI Mod is $68.2 million.

The UI Mod project consists of three main phases:

- Imaging and Workflow, implemented in December 2011
- Tax, implemented in November 2015
- Benefits, in development

The Commission and HCLA, the UI Mod project vendor, originally scheduled the Tax and Benefits phases of the project to go into production in December 2012 and May 2013. However, the project team did not achieve these dates, resulting in multiple extensions. The Commission completed the second phase of the UI Mod project, Tax, in November 2015, leaving the final phase, Benefits, remaining for implementation.

The Commission, the Secretary of Commerce and Trade, the Office of the Attorney General, and HCLA have steadily continued to work together to establish a plan for the completion of the UI Mod Benefits phase that complies with the provisions of the contract and takes new required system changes into account and the teams. The team projected go-live schedule date is in January 2019.

The Commission has spent approximately $51 million as of October 2017, with nearly $28 million in contractual payments to HCLA. The remaining contracted Benefits milestone payments to HCLA amount to approximately $5.7 million.

COMMISSION BACKGROUND AND FINANCIAL INFORMATION

The Commission's mission is to promote economic growth and stability by delivering and coordinating workforce services that include policy development, job placement services, temporary income support, workforce information, and transition and training services.

The Commission's primary source of funding for unemployment insurance benefits comes from unemployment taxes collected from employers. The Commission deposits these taxes into the Unemployment Insurance Trust Fund, which the United States Department of the Treasury maintains on behalf of state governments. The Commission also receives federal grants, which primarily fund administrative activities.

The Commission budgets its operational funding in two programs: Workforce Systems Services and Economic Development Services. As shown in Table 1 below, the Workforce Systems Services program is the Commission's primary program.

Budget and Actual Activity for Fiscal Year

Table 1

Program and Service Area	Original Budget	Final Budget	Expenses
Workforce Systems Services	$608,548,028	$608,996,206	$435,742,902
Economic Development Services	3,087,549	3,087,549	2,950,442
Total	**$611,635,577**	**$612,083,755**	**$438,693,344**

Workforce Systems services includes Job Placement Services, Unemployment Insurance Services, and Workforce Development Services. Unemployment Insurance Services makes up approximately 94 percent of the budget for Workforce Systems Services. The intent of this service area is to provide benefit payments to unemployed workers. Between July 1, 2016 and June 30, 2017, the Commission provided unemployment insurance to over 112,000 unemployed workers.

Unemployment Insurance Services Program

Unemployment Benefits

Under the Unemployment Insurance Services program, the Commission makes benefit payments to unemployed workers who lost their employment through no fault of their own. Unemployment benefit payments provide workers with temporary financial assistance during the course of a job search.

Generally, the amount and length of benefits an individual is eligible for is based on wages that an individual earned while employed. The State's unemployment insurance program pays benefits for up to 26 weeks. The Governor and General Assembly have the ability to adjust unemployment benefit payments. These amounts have not changed significantly over the last several years, as shown in Table 2 below.

Weekly Unemployment Benefit Amounts

Table 2

Effective Dates	Minimum Benefit	Maximum Benefit
July 1, 2007 – July 5, 2008	$54	$363
July 6, 2008 – July 5, 2014	$54	$378
July 6, 2014 – Present	$60	$378

In fiscal year 2017, the Commission paid out more than $358 million in unemployment insurance benefits. Overall, benefit payments continued to decrease as unemployment rates and exhaustion rates decreased, and claimants became ineligible to file a new claim due to the length of time they have been unemployed. The federal government's extension of the emergency unemployment compensation program expired January 1, 2014. The amount reflected in Table 3 below for 2015, 2016, and 2017 federal emergency unemployment insurance benefits represents recoupment of overpayments from benefit recipients. Table 3 shows benefit payments by type in fiscal years 2015, 2016, and 2017. The data below shows strictly the payments to recipients and does not include the administrative costs of the program, approximately $49 million. These types of payments include mostly personnel expenses of the Commission and vendor payments.

Unemployment Benefit Payments by Type

Table 3

Type of Unemployment Benefit	2015	2016	2017
State Unemployment Insurance Benefits	$436,894,932	$396,549,524	$348,634,773
Federal Unemployment Insurance Benefits	20,484,821	14,672,717	12,048,383
Federal Emergency Unemployment Insurance Benefits	(1,685,306)	(943,584)	(2,513,706)
Total	**$455,694,447**	**$410,278,657**	**$ 358,169,450**

Unemployment Taxes

The Commission pays unemployment insurance benefit payments from unemployment taxes collected from employers within the Commonwealth, if the employer meets certain criteria established in the Code of Virginia. The Commission classifies employers as one of two types: taxable or reimbursable. Taxable employers pay an unemployment tax to the Commission based on a set tax rate; while reimbursable employers reimburse the Commission dollar-for-dollar for their proportionate share of benefits paid. There are over 217,000 taxable employers and over 1,400 reimbursable employers in Virginia.

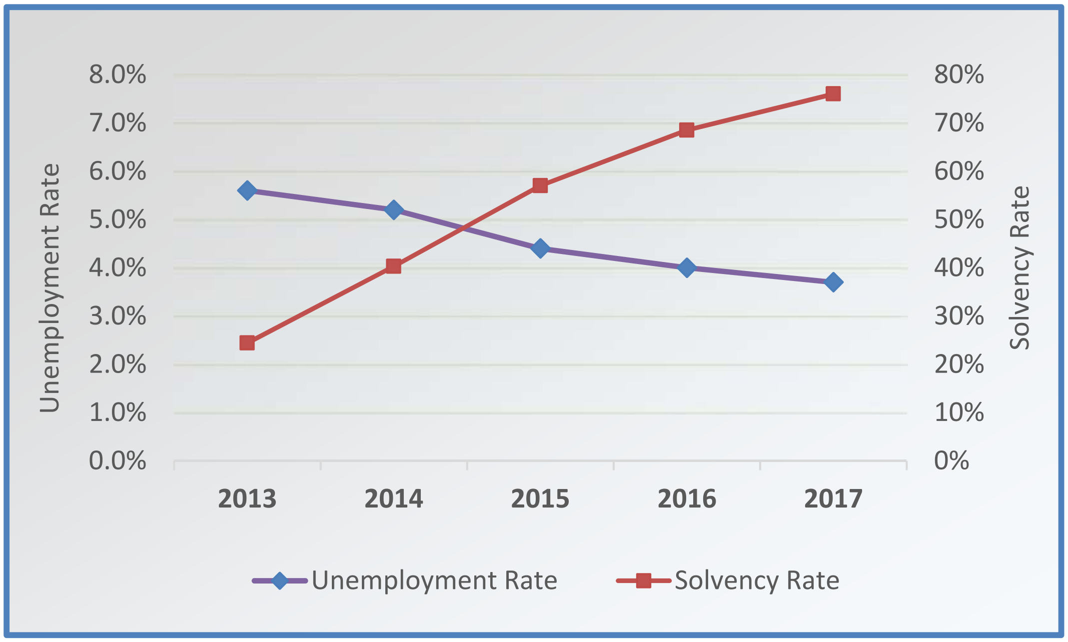
Under current law, employers pay taxes only on the first $8,000 of each employee's wages. The Commission collects these taxes throughout the year, and transfers the amount collected to the trust fund maintained by the United States Department of Treasury.

Trust Fund

Trust Fund solvency is an indicator of the Trust Fund's ability to pay benefits during periods of high unemployment. The solvency indicator compares the Trust Fund's actual balance to the calculated balance needed to pay unemployment benefits for 16.5 months. During periods of high unemployment, the solvency rate is low; however, the solvency rate is high during periods of low unemployment. Chart 1 below illustrates the correlation between unemployment rates and solvency levels.

Unemployment vs. Solvency Rates

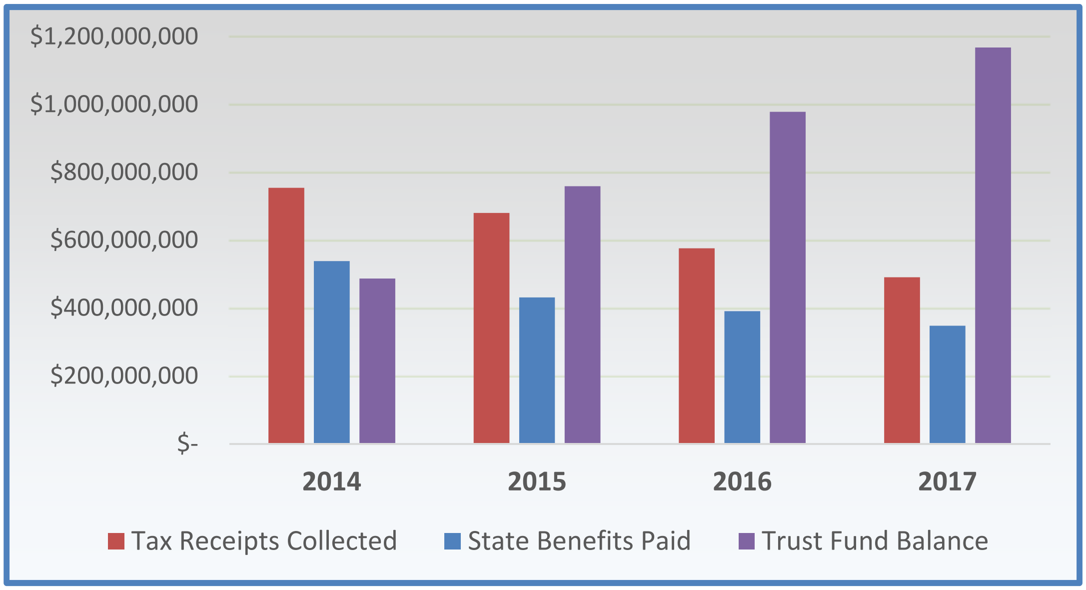
Chart 1



Generally, during times of low unemployment, the Trust Fund builds up a balance to pay benefits during times of high unemployment. Chart 2 below shows the relationship between taxes collected, benefits paid, and the Trust Fund balance over the last several years. The Trust Fund balance has increased because of the decreasing unemployment rate.

Summary of Trust Fund Activity

Chart 2



Trust Fund activity, specifically significant changes in the Trust Fund balance, can in turn affect future tax rates paid by employers. When the Trust Fund solvency remains at or above 100 percent, state law sets the lowest tax rate at zero. If the solvency rate falls below 100 percent, all eligible employers must pay unemployment tax. The tax rates imposed on employers takes into account the solvency rate as well as the employment histories of individual businesses. Generally, employers with a history of higher unemployment claims pay greater rates, while those with few claims pay less.

State law requires additional adjustments to the tax rate when Trust Fund solvency declines. The pool tax is an adjustment to the tax rate that represents a levy to recover benefits not chargeable to a specific employer, known as pool costs. When Trust Fund solvency exceeds 50 percent, the Commission subtracts interest income from pool costs. The Commission includes pool tax, within the employer's tax rate, when interest income does not cover pool costs. Additionally, state law requires a fund-building tax rate of 0.2 percent to employer tax rates if the Trust Fund solvency rate drops below 50 percent. The Commission did not impose this tax against employers during calendar year 2017 because the solvency rate exceeded 50 percent, as illustrated in Chart 1 above.

The Commission establishes tax rates for taxable employers on a calendar year basis annually. The following table details the various tax rate components in effect for calendar years 2014 through 2017. As shown in Table 4 below, the tax rates for 2017 declined due to the Trust Fund solvency levels discussed above.

Unemployment Tax Rates by Calendar Year

Table 4

	2014		2015		2016		2017	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Tax Rate	0.10%	6.20%	0.20%	6.20%	0.10%	6.20%	0.10%	6.20%
Pool Tax	0.22%	0.22%	0.14%	0.14%	0.07%	0.07%	0.03%	0.03%
Fund-building Tax	0.20%	0.20%	0.20%	0.20%	N/A	N/A	N/A	N/A
Total	**0.52%**	**6.62%**	**0.54%**	**6.54%**	**0.17%**	**6.27%**	**0.13%**	**6.23%**

Administrative Funding

Annually, the United States Department of Labor awards the Commission federal grants to administer the Unemployment Insurance program. The amount of the grant is determined based on a formula that considers factors such as unemployment rates, employment growth, and inflation measures. Therefore, when the economy is strong, administrative funding is weak and vice versa. Chart 3 below illustrates the correlation between unemployment insurance payments and administrative funding.

Unemployment Activity and Administrative Funding

Chart 3

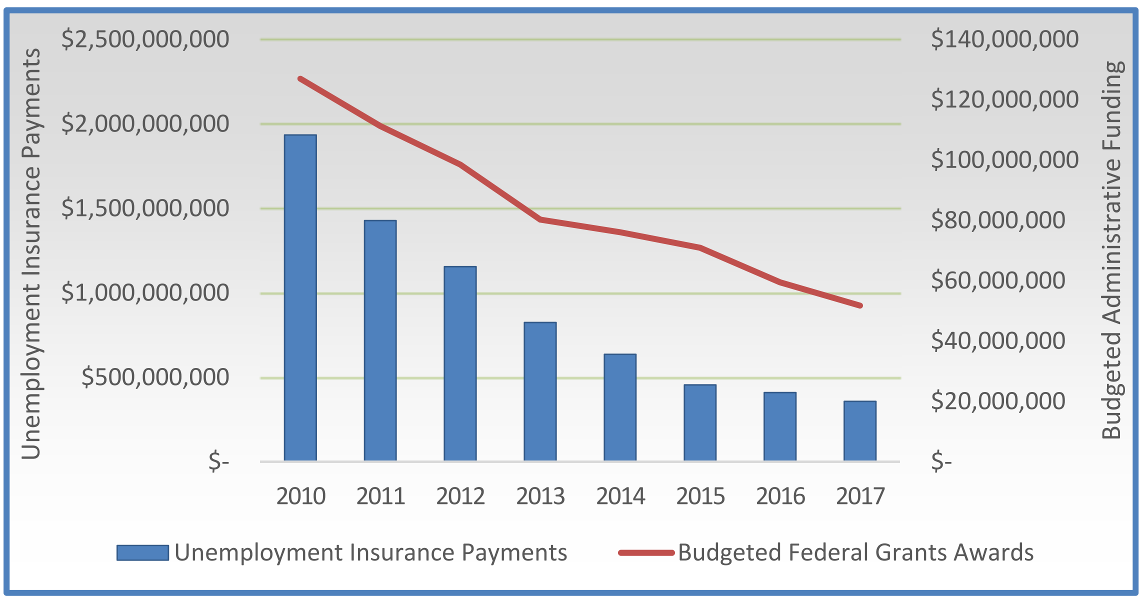
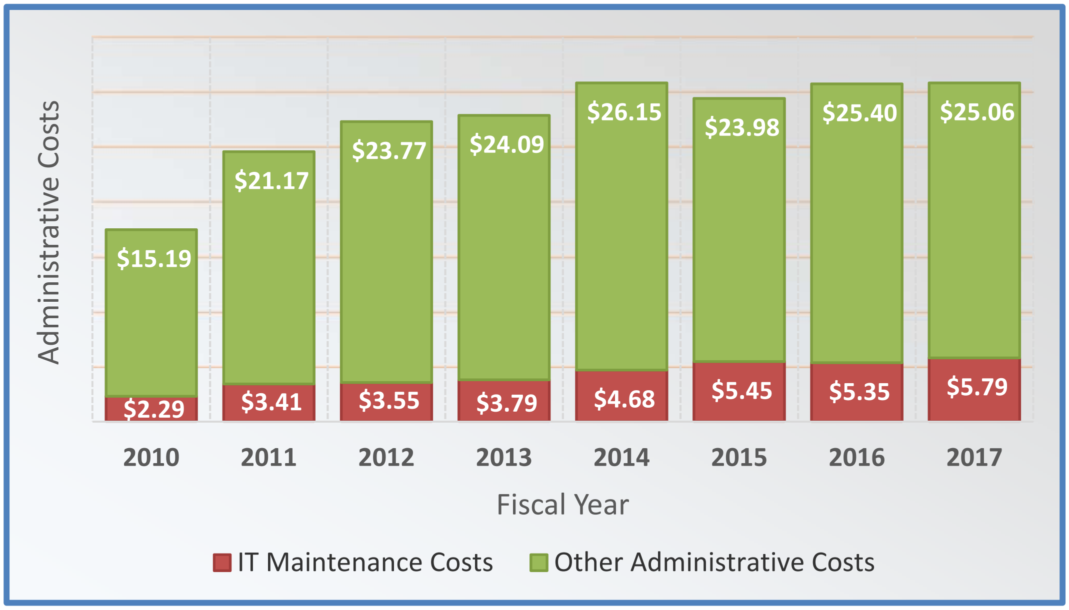


Chart 4 below shows administrative costs per unemployment claim and illustrates the increase in IT maintenance costs over the last several years.

Administrative Costs per Unemployment Claim per Fiscal Year

Chart 4



Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 6, 2017

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Virginia Employment Commission** for the year ended June 30, 2017. 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 objective was to evaluate the accuracy of Commission's financial transactions as reported in the Comprehensive Annual Financial Report for the Commonwealth of Virginia for the year ended June 30, 2017. In support of this objective, we evaluated the accuracy of recorded financial transactions in the Commonwealth's accounting and financial reporting system, and in the Commission's benefits, tax, and financial systems; review the accuracy of its attachment submission to the Department of Accounts; reviewed the adequacy of the Commission's internal control; tested for compliance with applicable laws, regulations, contracts, and grant agreements; and reviewed 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, 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 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.

Accounts Payable	Information System Security
Accounts Receivable	Taxes and Cash Receipts
Cash and Cash Equivalents	Unemployment Benefit Payments
Federal Grant Revenues and Expenses	

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, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Commission's operations. We performed analytical procedures, including budgetary and trend analyses. We also tested details of transactions to achieve our objectives.

A nonstatistical sampling approach was used. Our samples 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.

<u>Conclusions</u>

We found that the Virginia Employment Commission properly stated, in all material respects, the amounts recorded and reported in the Commonwealth's accounting and financial reporting system, as well as the Commission's internal financial systems and in attachment sent to the Department of Accounts. The financial information presented in this report came directly from the Commonwealth's accounting and financial reporting system or the Commission's internal financial system.

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

The Commission has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this letter.

<u>Exit Conference and Report Distribution</u>

We discussed this report with management on December 7, 2017. Management's response to the findings identified in our audit is included in the section titled "Commission 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

KJS/alh

COMMONWEALTH of VIRGINIA
Virginia Employment Commission

Ellen Marie Hess
Commissioner

Post Office Box 1358
703 East Main Street
Richmond, Virginia 23218-1358

December 7, 2017

Ms. Martha Mavredes
Auditor of Public Accounts
Post Office Box 1295
Richmond, Virginia 23218

Dear Ms. Mavredes:

Thank you for the opportunity to review the Auditor of Public Accounts' audit report for the year ended June 30, 2017. Your comments and recommendations are appreciated and are given the highest level of importance and consideration as we continue to review and improve our practices and procedures.

We are in general concurrence with the findings and recommendations identified in your report and we plan to take appropriate action to address them.

Again, we appreciate the opportunity to provide comments as part of our office's report of the financial records and operations of the Virginia Employment Commission for the year ended June 30, 2017.

Sincerely,

Ellen Marie Hess

Ellen Marie Hess
Commissioner

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VRC/TDD VA Relay 711
Equal Opportunity Employer/Program

VIRGINIA EMPLOYMENT COMMISSION OFFICIALS

June 30, 2017

Ellen Marie Hess
Commissioner

Lynette Hammond
Deputy Commissioner

Jeffrey Ryan
Chief Administrative Officer

Salvatore Lupica
Chief Operating Officer

Valerie Braxton-Williams
Confidential Assistant for Policy

Cindy Pastorfield
Controller