



OFFICE OF THE ATTORNEY GENERAL
AND
DEPARTMENT OF
LAW AND DIVISION OF DEBT COLLECTION

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2019

Auditor of Public Accounts
Martha S. Mavredes, CPA

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AUDIT SUMMARY

Our audit of the Office of the Attorney General and Department of Law and Division of Debt Collection (Office) for the fiscal year ended June 30, 2019, included a review of internal controls over the following areas:

- Operational expenses including payroll, travel, and small purchase charge cards
- Medicaid Fraud Control Unit
- Division of Debt Collection
- System access controls
- Information system security

Relative to the areas tested, we found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth's accounting and financial reporting system;
- matters involving internal control and its operation necessary to bring to management's attention; and
- instances of noncompliance with applicable laws and regulations that are required to the reported.

In addition, we followed up on select findings from the prior report as reflected in the Findings Summary in the [Appendix](#). We found that the Office has not taken adequate corrective action to resolve certain audit findings reported in the prior year. Those findings that report on issues that were not resolved from our previous audit are identified as repeat. We did not review management's corrective action on the prior audit finding identified as deferred in the Findings Summary. We will follow up on this finding in a future audit.

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AUDIT FINDINGS AND RECOMMENDATIONS

Comply with Federal Requirements for Documentation of Employment Eligibility

Type: Internal Control and Compliance

Repeat: Yes (first issued in fiscal year 2018)

Prior Year Title: Improve Employment Eligibility Process

The Office's Human Resources Department did not properly complete Employment Eligibility Verification (I-9) forms in accordance with guidelines issued by the U.S. Citizenship and Immigration Services of the U.S. Department of Homeland Security in the following instances:

- For two of ten employees (20%), Section 1 of the I-9 form was not signed by the employee by the first day of employment.
- For three of ten employees (30%), Section 2 of the I-9 form was not signed by the Human Resources Manager within three business days after the first day of employment.
- For three of ten employees (30%), Section 2 of the I-9 form was not properly completed by the Human Resources Manager within three business days after the first day of employment. The document(s) listed, which verifies the new employee's identity and employment eligibility, did not accurately contain the required fields including the issuing authority, document number, and expiration date.

The Human Resources Manager indicated the instances above were inadvertent errors and resulted from oversight. While the Human Resources Manager refers to the U.S. Department of Homeland Security's Guidance for Completing Form I-9 Handbook for Employers, the Human Resources Department does not have documented internal policies and procedures for completing I-9 forms. Additionally, the Human Resources Department does not have a review process in place to ensure I-9 forms are completed accurately and timely.

The Immigration Reform and Control Act of 1986 requires that all employers complete an I-9 form to verify both identity and employment eligibility for all employees hired after November 6, 1986. Additionally, the U.S. Department of Homeland Security's Guidance for Completing Form I-9 Handbook for Employers issued by the U.S. Citizenship and Immigration Services prescribes federal requirements for completing I-9 forms. Not complying with federal requirements could result in civil and/or criminal penalties for both the employee and employer in addition to debarment from government contracts.

The Human Resources Manager should ensure I-9 forms are completed in accordance with the U.S. Department of Homeland Security guidelines. The Human Resources Department should develop, document, and implement policies and procedures for proper completion of I-9 forms. Management should provide adequate training to personnel responsible for completing I-9 forms to ensure compliance with the applicable federal requirements. In addition, the Human Resources Department should perform an adequate review of I-9 forms completed by the Human Resources Manager to ensure compliance with federal statutes and regulations.

Continue to Improve Firewall Management

Type: Internal Control and Compliance

Repeat: Yes (first issued in fiscal year 2016)

The Office is making progress to address the information security weakness in their prior year audit report and continues to remediate the weaknesses to improve their firewall management, including establishing policies, procedures, and processes to maintain agency firewalls.

The Information Security Officer and management are aware of the weaknesses issued to them during the prior year in a separate document marked Freedom of Information Act Exempt (FOIAE) under § 2.2-3705.2 of the Code of Virginia, due to the sensitivity and description of security controls. The fiscal year 2020 audit will evaluate whether the Office has completed their corrective actions and determine if the controls in place are reasonable to protect the confidentiality, integrity, and availability of mission critical and sensitive data.

Improve Virtual Private Network Security Controls

Type: Internal Control and Compliance

Repeat: No

The Office does not implement controls in their Virtual Private Network that are in accordance the Commonwealth's Information Security Standard, SEC 501 (Security Standard). The Security Standard requires the implementation of certain security controls to safeguard mission critical systems that contain or process sensitive data.

We identified and communicated the specific control weaknesses to management in a separate document marked FOIAE under § 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms.

The Office should dedicate the necessary resources to mitigate the specific risks communicated in the FOIAE document. Furthermore, the Office should improve the security posture of remote connections to comply with the Security Standard in a timely manner. Doing this will help to ensure the Office secures its network to protect its systems and data.

AGENCY HIGHLIGHTS

The Attorney General is the chief executive officer of the Commonwealth of Virginia's Department of Law. The Office of the Attorney General and Department of Law (Office) acts as the Commonwealth's law firm. The Attorney General and his staff represent the Commonwealth's interests in all civil cases naming the Commonwealth, or any of its agencies or officials, as a party, and in criminal cases on appeal to the Court of Appeals of Virginia and the Supreme Court of Virginia. In cases involving federal law, the Attorney General represents the Commonwealth's interests in federal court. The Office also enforces consumer protection laws and investigates Medicaid fraud.

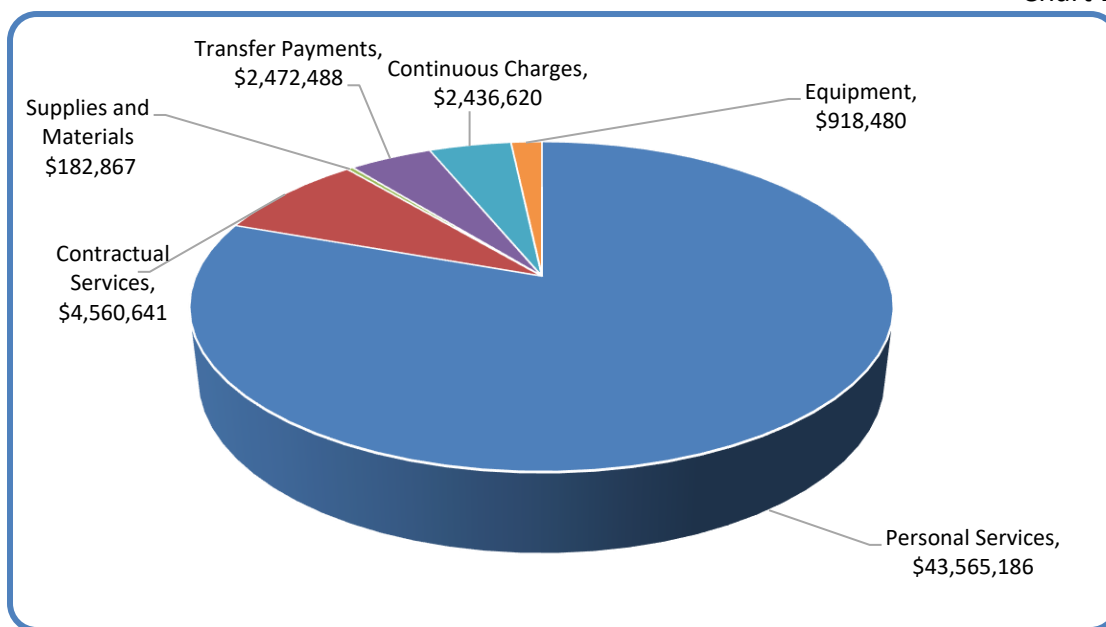
The Attorney General is also the legal advisor to the Governor and more than 200 state agencies, boards, commissions, and institutions. The Attorney General renders official opinions on the application of the law upon written request of the Governor, members of the General Assembly, members of the judiciary, state officials, or local constitutional officers. The Office handles criminal convictions on appeal and defends the state when prisoners sue concerning their incarceration. In addition, the Office defends legal challenges of the constitutionality of state laws. The Attorney General is responsible for providing all legal services for the Commonwealth and its agencies, unless it is impracticable and uneconomical to do so. If outside counsel is utilized, the Attorney General supervises the appointment and payment of private attorneys hired by other state agencies for various matters.

The Office's organizational structure is similar to a private law firm, with divisions devoted to legal specialties. In addition to the main office in downtown Richmond, there are regional offices in Abingdon, Fairfax, and Roanoke. The Administration Division provides finance, human resources, information technology, and operations support to the legal divisions.

Personnel services are the Office's largest expense type; therefore, internal controls over the payroll cycle were included as one of our audit objectives this year. We also included procedures to ensure compliance with federal and state employment eligibility verification regulations. Chart 1 provides a breakdown of both the Office of the Attorney General and Department of Law's and Division of Debt Collection's total operational expenses by type for all funds for fiscal year 2019.

Operational Expenses by Type for Fiscal Year 2019

Chart 1





Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

September 29, 2020

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Office of the Attorney General and Department of Law and Division of Debt Collection (Office)** for the year ended June 30, 2019. 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's accounting and financial reporting system; review the adequacy of the Office's internal controls; test compliance with applicable laws, regulations, contracts, and grant agreements; and review corrective actions of audit findings from prior year reports. See the Findings Summary included in the [Appendix](#) for a listing of prior year findings and the status of follow-up on management's corrective action. We did not review management's corrective action on the prior audit finding identified as deferred in the Findings Summary. We will follow up on this finding in a future audit.

Audit Scope and Methodology

The Office'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.

- Operational expenses including payroll, travel, and small purchase charge cards
- Medicaid Fraud Control Unit
- Division of Debt Collection
- System access controls
- Information system security

We performed audit tests to determine whether the Office'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 Office's operations. We performed analytical procedures, including 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.

Conclusions

We found that the Office properly stated, in all material respects, the amounts recorded and reported in the Commonwealth's accounting and financial reporting system. The financial information presented in this report came directly from the Commonwealth's accounting and financial reporting 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 Office has not taken adequate corrective action with respect to findings noted as repeat in the Findings Summary included in the Appendix. The Office has taken adequate corrective action with respect to findings noted as resolved in the Findings Summary.

Exit Conference and Report Distribution

We discussed this report with management on September 21, 2020. 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.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

KJS/clj

FINDINGS SUMMARY

Finding Title	Follow Up Status	Year(s) Issued
Continue to Improve Firewall Management	Repeat*	2016, 2017, 2018, 2019
Continue to Improve Physical and Environmental Security	Resolved	2016, 2017, 2018
Improve Legal Billings Internal Controls	Deferred**	2018
Perform Annual Access Review of the Attendance and Leave System	Resolved	2018
Comply with Federal Requirements for Documentation of Employment Eligibility	Repeat*	2018, 2019
Improve Virtual Private Network Security Controls	New	2019

*Follow-up Status on prior year findings identified as "Repeat" indicates sufficient corrective action on a prior recommendation is not complete; therefore, the prior year finding has been fully or partially repeated.

**Follow Up Status on prior year findings identified as "Deferred" indicates review of management's corrective action will be performed in a future audit.



COMMONWEALTH of VIRGINIA

Office of the Attorney General

Mark R. Herring
Attorney General

September 29, 2020

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7-1-1

Dear Ms. Mavredes,

On behalf of Attorney General Mark R. Herring and the Office of Attorney General, I would like to thank you for providing us an opportunity to comment on the findings and recommendations in the Fiscal Year 2019 audit of the Office of the Attorney General.

This was a very thorough examination of the agency's operational expenditures including payroll, travel, and small purchase charge cards, the Medicaid Fraud Control Unit, the Division of Debt Collection, system access controls, and information system security.

I am very pleased that you and your team "found that the Office properly stated, in all material respects, the amounts recorded and reported in the Commonwealth's accounting and financial reporting system," and that any shortcomings were relatively minor matters that we will work to address as quickly as possible. I am also pleased that you found satisfactory resolution of several previously identified areas of need.

As always, management of this agency continues to recognize the need for compliance with applicable standards and requirements, and for adequate internal controls and policies to ensure security and compliance by our agency. We will work expeditiously to address the items you have noted.

Sincerely,

A handwritten signature in black ink that reads "Michael Kelly".

Michael Kelly
Chief of Staff

**THE OFFICE OF THE ATTORNEY GENERAL
AND DEPARTMENT OF LAW AND DIVISION OF DEBT COLLECTION**

As of June 30, 2019

Mark R. Herring
Attorney General

Cynthia E. Hudson
Chief Deputy Attorney General

Christie A. Wells
Director of Finance