



SPECIAL REVIEW OF THE DEPARTMENT OF CONSERVATION AND RECREATION

JUNE 2014

Auditor of Public Accounts
Martha S. Mavredes, CPA

www.apa.virginia.gov

(804) 225-3350





Martha S. Mavredes, CPA

Report Highlights

Special Review of the Department of Conservation and Recreation

June 2014

Summary of Results

Our special review of Department of Conservation and Recreation (DCR) resulted in 93 recommendations to management across a variety of different business areas and agency functions. A summary of the audit findings by major business area is presented below. The full text of the recommendations is presented in the body of the report.

Findings by Area

Business Area	Count
Small Purchase Charge Cards	15
Information Technology	9
State Park Employee Housing	8
Travel	7
Payroll	6
Procurement	6
eVA Security	5
Financial Reporting Attachments	4
ARMICS	3
CARS Reconciliation	3
Fixed Asset Accounting	3
Human Resources	3
State Parks Project Fund	3
Accounts Payable	2
Chesapeake Bay Restoration Fund	2
Risk Management Recoveries	2
Sales Tax	2
Statements of Economic Interest	2
Treasury Loans and Communication	2
Account Coding Structure	1
Accounting and Fiscal Governance	1
Agency Transaction Vouchers	1
Department of General Services Review	1
Federal Grants Management	1
Land Preservation Tax Credit	1
Grand Total	93

Legislative Request

On January 28, 2014, the Virginia Senate Finance Committee requested that the APA initiate a special review of DCR. On February 12, 2014, the APA met with DCR's management and at that time, agency management indicated that they had significant concerns over internal controls and compliance agency-wide. Based on the Committee's request and management's concerns, the APA conducted a special review of DCR, which is the focus of our report.

Objective

The objective of our special review was to identify internal control weaknesses and areas of non-compliance at DCR. This report and the 93 findings and recommendations it contains serves as a roadmap that provides DCR's management with a starting point for correcting issues with internal control and compliance throughout the agency.

Limitations

While this report is a complete list of issues that came to our attention during our special review of DCR, due to a weak control environment at the agency, it is possible that management will uncover additional issues as they implement agency-wide controls.



See the full report at
www.apa.virginia.gov

101 N 14th Street, Richmond, VA 23219
(804) 225.3350

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INTRODUCTION

First Review

In November 2013, management of the Department of Conservation and Recreation (DCR) asked the Auditor of Public Accounts (APA) to evaluate what they considered to be “potential serious financial accounting irregularities” related to a transfer of three federal grants from DCR to the Department of Environmental Quality (DEQ). The original scope of our first special review involved (1) an evaluation of the accuracy of the grant records transferred from DCR to DEQ, and (2) a review of federal grant management policies at DCR.

During the first review in November 2013, the APA received a copy of a report dated November 26, 2013, from the Federal Emergency Management Agency (FEMA) that identified several significant deficiencies in internal control over federal grant compliance at DCR such as:

- “Financial Management System does not account for expenses and internal controls.”
- “[DCR] lacks effective internal controls and accountability for all grants.”
- “Expenditure Documentation submitted...could not be validated.”
- “[DCR] match amount could not be verified.”

The findings from FEMA’s review were consistent with the APA’s preliminary observations. Given the details in the FEMA report, on December 2, 2013, the APA recommended to the Secretary of Natural Resources that DCR use the FEMA report as a starting point for making necessary adjustments to their grants management policies.

Second Review

On January 28, 2014, the Virginia Senate Finance Committee requested that the APA initiate a more comprehensive special review of DCR. On February 12, 2014, the APA met with DCR’s management to discuss the agency’s progress in correcting the issues with federal grants, and to plan the continuation of our review of the federal grant transfer after their accounting issues were resolved. At that time, agency management indicated that they had significant concerns over internal controls and compliance agency-wide. Based on the Committee’s request and management’s concerns, the APA conducted a more comprehensive special review of DCR, which is the focus of this report.

Objective and Scope

The objective of this special review was to identify internal control weaknesses and areas of non-compliance at DCR. This report and the 93 findings and recommendations it contains serves as a roadmap that provides DCR’s management with a starting point for correcting issues with internal control and compliance throughout the agency.

Methodology

We performed audit tests to determine whether DCR’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, contracts, reconciliations, board minutes, and the Code of Virginia, and observation of DCR's operations. We tested transactions and system access, and performed analytical procedures. Where applicable, we compared DCR's policies to best practices and Commonwealth standards.

Results

Our special review of DCR resulted in 93 recommendations to management. The full text of our findings are presented herein. Per DCR's management, corrective action is ongoing in many of these areas. Management's response to this report is attached; however, we offer no opinion on management's response since we have not performed procedures to review any corrective action.

Summary of Recommendations by Business Area	
Business Area	Count of Findings
Small Purchase Charge Cards	15
Information Technology	9
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Travel	7
Payroll	6
Procurement	6
eVA Security	5
Financial Reporting Attachments	4
ARMICS	3
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Agency Transaction Vouchers	1
Department of General Services Review	1
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Land Preservation Tax Credit	1
Grand Total	93

List of Findings

Functional Area	Audit Area	Title
Accounting	Accounting and Fiscal Governance	Define Fiscal Governance Structure
	Payroll	Develop Policies and Procedures Defining Payroll Service Bureau Agreement
		Ensure Compliance with the PSB Scope of Services Agreement
		Promptly Delete Terminated Employee CIPPS Access
		Improve Payroll Pre-Certification Process
		Develop Payroll Post-Certification Process
		Assign a Backup Payroll Security Officer
	Financial Reporting Attachments	Submit Financial Reporting Attachments Timely
		Improve Controls over Financial Reporting Attachment Submission and Reduce Resubmissions
		Ensure Financial Reporting Attachment Submissions are Correct
		Develop Policies and Procedures over Financial Reporting Attachment Submission
	ARMICS	Improve Controls over ARMICS Certifications to Comptroller
		Ensure ARMICS Documentation is Accurate
		Complete ARMICS Requirements
	CARS Reconciliation	Update CARS Reconciliation Policies and Procedures
		Reconcile CARS Accounts Timely
		Discontinue CARS Certifications to Comptroller if the Reconciliation is Incomplete
	Fixed Asset Accounting	Update Fixed Asset Policies and Procedures
		Transfer Construction in Progress Accounts to Fixed Asset Accounts
		Record Assets Properly in FAACS
	Sales Tax	Submit Sales Tax Returns and Tax Payments to the Virginia Department of Taxation
		Record Sales Tax Collections Properly in the Commonwealth Accounting and Reporting System
	Accounts Payable	Update Accounts Payable Policies and Procedures
		Ensure Payments are made in Compliance with Prompt Payment Requirements
	Chesapeake Bay Restoration Fund	Ensure all payments from the Chesapeake Bay Restoration Fund are allowable to the Fund

Functional Area	Audit Area	Title
Accounting (continued)		Report all Chesapeake Bay Restoration Fund Activity to the Division of Legislative Services
	Treasury Loans and Communication	Repay Treasury Loans to the Commonwealth's Comptroller Timely
		Respond Promptly to Inquiries from the Commonwealth's Comptroller
	Federal Grants Management	Implement Corrective Actions to Satisfy the November 23, 2013, FEMA Review
	Land Preservation Tax Credit	Properly Reconcile Land Preservation Tax Credit Payments
	Account Coding Structure	Retrain Staff on New Accounting Structure and Test Controls
	Agency Transaction Vouchers	Limit Agency Transactions to Justifiable Business Reasons
State Parks	State Park Employee Housing	Develop and Implement Leasing Agreements for Employee Housing
		Procure Leased Housing through Department of General Services
		Maintain Documentation to Justify Reduced Employee Lodging Rates
		Maintain Documentation for State Park Housing and Report Value to Internal Revenue Service
		Maintain Documentation for Off-State Park Housing and Report Amounts to Internal Revenue Service as Required
		Ensure Employee Lodging Rates Agree with DCR Policies
		Maintain Residential Fee Deduction Authorization Forms for Required Employees
		Inspect State Park Housing and Maintain Records
	State Parks Project Fund	Transfer State Parks Special Project Fund to the Treasurer of Virginia
		Implement Controls to Report State Park Project Fund Vendor Payments
		Implement Controls to Ensure State Park Project Fund Payments are Properly Supported
Administration	Risk Management Recoveries	Provide Documentation of Losses on State Property to State Treasury Division of Risk Management Timely
		Use Agency Risk Management Function for All Loss Claims
Purchasing	Small Purchase Charge Cards	Update Small Purchase Charge Card Policies

Functional Area	Audit Area	Title
Purchasing (continued)		Dedicate Necessary Resources to Monitoring Small Purchase Charge Card Program
		Discontinue Use of Small Purchase Charge Cards for Routine Travel
		Reevaluate the Number of Small Purchase Charge Cards Issued
		Ensure Small Purchase Charge Cards are not Used to Circumvent Procurement Procedures
		Reevaluate the Number of Small Purchase Charge Card Groups
		Ensure Small Purchase Charge Card Supervisors are Adequately Trained
		Ensure Small Purchase Charge Cards are Restricted for Use at Vendors that Accept Credit Cards
		Maintain Itemized Receipts for Small Purchase Charge Card Purchases
		Ensure IT Procurements are not Completed with Small Purchase Charge Cards
		Maintain Supporting Documentation for All Small Purchase Charge Card Purchases
		Ensure Small Purchase Charge Card Payments Include Documentation of a Business Justification
		Implement Controls to Ensure Small Purchase Charge Cards are Not Used for Personal Purchases
		Ensure Unallowable Hotel Cancellation Fees are Not Paid on Small Purchase Charge Cards
		Ensure Employees are Not Using Split Purchases to Circumvent Procurement Controls
	Travel	Update and Improve Travel Policies and Procedures
		Develop Travel Card Policies and Procedures
		Update Agency Vehicle Management Policies
		Develop Policies and Procedures for the Commuter Choice Program
		Ensure Travel Reimbursement Vouchers are Accurate and Complete
		Ensure Commuter Choice Invoices are Reconciled
		Ensure Commuter Choice Invoices are Promptly Paid
	Procurement	Ensure Change Orders are Properly Approved
		Maintain All Required Procurement Documentation
		Enforce Contract Provisions
		Ensure Proposal Evaluation Committees Properly Document Procurement Decisions

Functional Area	Audit Area	Title
Purchasing (continued)		Restrict the Use of Request for Proposal to Appropriate Situations
		Maintain Required Documentation Justifying Use of Competitive Negotiation
	Department of General Services Review	Correct Procurement Issues Identified by the Department of General Services
Security Standards	Information Technology	Update IT Risk Assessment to Comply with VITA Standards
		Develop Comprehensive Business Impact Analysis
		Complete Agency Continuity Plan
		Document IT Backup and Recovery Policies
		Ensure IDSS User Access Forms are Used Consistently
		Implement Periodic Review of User Access to IDSS
		Ensure Internal Auditor is Not Performing IT Management Functions
		Perform IT Security Audit of the AgBMP System
		Update Information Technology Policies
	eVA Security	Require eVA Security Officer to Obtain Security Training
		Promptly Deactivate Access for Separated Employees
		Remove eVA Access for Inactive Employees
		Update eVA Security Plan
		Maintain Signed eVA Acceptable Use Agreement for all eVA Users
Human Resources	Human Resources	Update Human Resource Policies and Procedures
		Complete Employee Performance Evaluations Timely
		Complete Employee Work Profiles Timely
	Statements of Economic Interest	Ensure Designated Employees File Statements of Economic Interest Timely
		Ensure Employees Complete Conflict of Interest Act Training Timely

Define Fiscal Governance Structure

Finding Number: Accounting-01

Compliance
Internal Controls

Condition

The Department of Conservation and Recreation (DCR) does not have a clearly defined governance structure over fiscal and accounting matters. The authority and responsibility for setting and enforcing fiscal and accounting policies is not clearly granted to the Controller's office.

Criteria

According to the Commonwealth's Agency Risk Management and Internal Control Standards, the chief financial officers and fiscal officers have key oversight and policy enforcement roles over fiscal matters. Other agency managers may hold lead responsibility for compliance with non-financial aspects of laws, directives, policies, procedures, and the code of ethics. An agency's organizational structure provides the structure to plan, execute, control, and monitor activities. A sound organizational structure defines key areas of authority and responsibility, while illustrating reporting lines.

Consequence

The Division of State Parks has developed Accounting Policies and Procedures that the Controller's office does not recognize or enforce. This impaired control environment diminishes the Controller's office's ability to properly assess fiscal risks to the agency, develop appropriate controls, monitor fiscal activity, or ensure accurate reporting.

Cause

Management has not consistently developed, maintained, or enforced accounting policies and procedures. Some policies are conflicting or competing, and the designation of governance for fiscal policies has not been clearly defined.

Recommendation

Management should clearly define those within the control environment that hold key oversight and policy enforcement roles over fiscal and accounting matters. After clearly defining these roles, management may perform a sufficient assessment of risk, and then implement appropriate internal controls.

Develop Policies and Procedures Defining Payroll Service Bureau Agreement

Finding Number: Payroll-01

Compliance
Internal Controls

Condition

DCR does not have policies and procedures describing how it fulfills its responsibilities in its relationship with the Department of Accounts' Payroll Service Bureau (PSB).

Criteria

As a participating agency with PSB, DCR is required to have policies and procedures in place for the "Agency Tasks" outlined in the Payroll Service Bureau Business Process Overview Manual.

Consequence

DCR did not complete the required "Agency Tasks" listed in PSB Business Process Overview Manual. For example, DCR did not complete reconciliations, CIPPS updates, and timesheet reviews, which increases the risk of inaccurate payments to employees.

Cause

Management did not implement policies and procedures for payroll.

Recommendation

Management should implement policies and procedures to ensure the payroll process is performed according to the Business Process Overview Manual.

Ensure Compliance with the PSB Scope of Services Agreement

Finding Number: Payroll-02

Compliance
Internal ControlsCondition

DCR is not fulfilling its responsibilities in their relationship with the PSB. DCR did not perform essential payroll tasks such as reconciliations, CIPPS updates, and timesheet reviews.

Criteria

As a participating agency with PSB, DCR is required to fulfill its responsibilities as outlined in the Payroll Service Bureau Business Process Overview Manual.

Consequence

Not implementing proper controls at the agency level increases the risk of inaccurate payments to employees.

Cause

Per DCR, there is poor internal communication between the Payroll and Human Resource departments, as well as with the PSB. Additionally, there is lack of understanding of PSB's and DCR's roles and the required controls in the payroll process.

Recommendation

Management should gain an understanding of the agency's responsibilities as a participating agency with PSB, and implement procedures to ensure compliance with the PSB Scope of Services Agreement.

Promptly Delete Terminated Employee CIPPS Access

Finding Number: CIPPS-01

Compliance
Internal Controls

Condition

DCR did not follow its own process for deleting employee's CIPPS access. Two employees kept their access for 121 days and 63 days after termination.

Criteria

Per the Department of Accounts (DOA) Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 50210, DCR must ensure that adequate internal controls exist within the agency to prevent unauthorized access to CIPPS. Periodic reviews of system access and timely deletion of access for terminated and transferred employees are imperative to safeguard the assets of the Commonwealth.

Consequence

Unauthorized access to CIPPS creates unnecessary risks for the Commonwealth.

Cause

Management does not have adequate controls in place to ensure timely deletion of terminated employee CIPPS access. DCR did not notify PSB about the termination of employees timely.

Recommendation

Management should follow its procedures to ensure employees are removed from CIPPS timely in accordance with CAPP Topic 50210.

Improve Payroll Pre-Certification Process

Finding Number: Payroll Cert-01

Compliance
Internal Controls

Condition

DCR is not performing an adequate pre-certification process for payroll. Staff assigned to this responsibility are only reviewing the Payroll Audit Tool reports. No other reports or source documents are used to verify payroll accuracy.

Criteria

According to CAPP Manual Topic 50805, the certification process includes five key steps when certifying payroll including: 1. Collecting source documents, 2. Reviewing Report-10, 3. Reviewing Payroll Audit Tool reports, 4. Reviewing any other reports generated from CIPPS, and 5. Reviewing additional source documents.

Consequence

Payroll expenses account for approximately \$38 million of DCR's budget. If agency internal controls over payroll disbursements are not stringent or if management is not properly monitoring, material incorrect or improper payments can occur.

Cause

There are no policies and procedures in place over certifying payroll.

Recommendation

DCR should implement policies and procedures over the payroll pre-certification process. Additionally, DCR should ensure employees with this responsibility have adequate training and are meeting expectations.

Develop Payroll Post-Certification Process

Finding Number: Payroll Cert-02

Compliance
Internal Controls

Condition

Per DCR, the agency does not have a payroll post-certification process.

Criteria

According to CAPP Manual Topic 50805, the post certification process includes reviewing the appropriate reports to ensure there have been no unauthorized changes to payroll after the certification information was entered into CIPPS and all transactions were processed as requested.

Consequence

Payroll expenses account for approximately \$38 million of DCR's budget. If agency internal controls over payroll disbursements are not stringent or if management is not properly monitoring, material incorrect or improper payments can occur.

Cause

There are no policies and procedures in place over certifying payroll.

Recommendation

DCR should implement policies and procedures over the payroll post-certification process. Additionally, DCR should ensure employees with this responsibility have adequate training are meeting expectations.

Assign a Backup Payroll Security Officer

Finding Number: Payroll Cert-03

Compliance
Internal Controls

Condition

DCR currently has one staff member that certifies payroll and no backup exists.

Criteria

CAPP Manual Topic 50210 recommends that an agency have at least two Payroll Security Officers to ensure adequate coverage over the certification process.

Consequence

DCR is at risk of not meeting payroll certification deadlines. Cutoff for all payroll certification information into CIPPS is 3:30 p.m. on the day the certification is entered. Non-compliance with this deadline may be reported in the Report on Statewide Financial Management and Compliance, or Quarterly Report. If the existing Payroll Officer is unavailable, payroll will not be certified timely.

Cause

Per DCR, due to an agency re-organization, the function of a backup Payroll Security Officer was not assigned.

Recommendation

DCR should designate and train another appropriate employee to be the backup Payroll Security Officer.

Submit Financial Reporting Attachments Timely

Finding Number: Attachments-01

Compliance
Internal Controls

Condition

DCR submitted seven of its 20 attachments, 35 percent, for the Commonwealth's Comprehensive Annual Financial Report (CAFR) late to the Comptroller.

Criteria

Office of the Comptroller's Directive No. 1-13 requires agencies to submit financial statement attachments timely in support of the Commonwealth's CAFR. Additionally, the Comptroller assigns a specific due date to each attachment.

Consequence

The financial information required by the Comptroller's Directive is necessary for preparation of the CAFR. Late submissions of financial information to the Comptroller could prevent timely and accurate preparation of the Commonwealth's annual financial statements.

Cause

DCR has no written policies and procedures related to the preparation of financial statement attachments. Additionally, some were resubmitted to correct errors after the due date, thus causing them to be late.

Recommendation

Management should implement policies and procedures that ensure the timely submissions of financial statement attachments to the Comptroller.

Improve Controls over Financial Reporting Attachment Submission and Reduce Resubmissions

Finding Number: Attachments-02

Compliance
Internal Controls

Condition

DCR had to resubmit five of its 20 attachments, 25 percent, to the Commonwealth's Comptroller to correct errors.

Criteria

Office of the Comptroller's Directive No. 1-13 requires agencies to submit accurate financial statement attachments in support of the Commonwealth's CAFR.

Consequence

The financial information required by the Comptroller's Directive is necessary for preparation of the CAFR. Inaccurate submissions of financial information to the Comptroller could prevent timely and accurate preparation of the Commonwealth's annual financial statements. Excessive revisions of the attachments create inefficiencies at DCR and at the Department of Accounts.

Cause

DCR has no written policies and procedures related to the preparation of financial statement attachments, staff that prepared the statements did not receive adequate training, and management's review was not sufficient to detect errors.

Recommendation

Management should develop detailed policies and procedures for the preparation of financial statement attachments that ensure the first submission is accurate. Additionally, management should ensure that staff preparing the attachments receive adequate training and supervision.

Ensure Financial Reporting Attachment Submissions are Correct

Finding Number: Attachments-03

Compliance
Internal Controls

Condition

The first submission to the Comptroller, Attachment 1, contains a questionnaire that determines which attachment submissions are required. DCR's answers to the questionnaire were incorrect, which caused the list of required submissions to be incomplete. In addition, DCR did not disclose any of its sub-recipients in Attachment 15, which the Commonwealth Comptroller uses as the foundation for the Commonwealth's Single Audit Report to the federal government.

Criteria

Office of the Comptroller's Directive No. 1-13 requires agencies to submit accurate financial statement attachments in support of the Commonwealth's CAFR and Single Audit Report.

Consequence

Inaccurate information presented to the Comptroller that remains uncorrected could result in errors in the Commonwealth's CAFR and Single Audit Report.

Cause

DCR has no written policies and procedures related to the preparation of financial statement attachments, staff that prepared the statements did not receive adequate training, and management's review was not sufficient to detect errors. Additionally, information in DCR's accounting system did not allow them to determine pass through amounts to federal sub-recipients.

Recommendation

Management should develop detailed policies and procedures for the preparation of financial statement attachments that ensure their submissions are accurate. Additionally, management should ensure that staff preparing the attachments receive adequate training and supervision.

Develop Policies and Procedures over Financial Reporting Attachment Submission

Finding Number: Attachments-04

Compliance
Internal Controls

Condition

DCR has no policies and procedures for the preparation of DOA attachments and schedules.

Criteria

Per the Office of the Comptroller's Directive No. 1-13, "Agencies must ensure controls are in place to avoid material misstatements and/or misclassifications in the attachments and other financial information submitted to DOA."

Consequence

A lack of policies and procedures increases the risk of error in the preparation and submission of information to the Commonwealth's Comptroller.

Cause

Management chose not to develop internal policies and procedures.

Recommendation

Management should develop policies and procedures that assure compliance with the Comptroller's Directives, and ensure the accurate submission of financial statement information to the Commonwealth's Comptroller.

Improve Controls over ARMICS Certifications to Comptroller

Finding Number: ARMICS-01

Compliance
Internal Controls

Condition

Management at DCR certified to the Commonwealth's Comptroller that DCR completed the required control assessment of the agency's risks and significant fiscal processes at the transaction level; however, there is no substantial evidence supporting that DCR completed the ARMICS requirements.

Criteria

CAPP Topic 10305 and DOA ARMICS Policy requires agency heads to certify to the Comptroller and Auditor of Public Accounts that they have established, maintained and evaluated their agencies' internal control framework.

Consequence

Management's override of controls undermines the integrity of the control environment at the agency and contributes to a higher risk over all of the agency's business cycles.

Cause

Management disregarded the lack of sufficient evidence and concluded that the ARMICS process was complete.

Recommendation

Management should not override existing agency controls and policies of the Comptroller and Department of Accounts. Management should implement adequate controls and sufficiently complete the ARMICS process before certifying as such to the Commonwealth's Comptroller.

Ensure ARMICS Documentation is Accurate

Finding Number: ARMICS-02

Compliance
Internal Controls

Condition

ARMICS documentation does not reflect the current nature of operations at the agency.

Criteria

Per CAPP Topic 10305, each agency head is responsible for having agency management document the agency's assessment of internal control to include: strengths, weaknesses, and risks over the recording of financial transactions in the General Ledger; compliance with the agency's financial reporting requirements; compliance with laws and regulations; and stewardship over the Commonwealth's assets.

Consequence

DCR is not in compliance with DOA ARMICS requirement to update documentation after "[a]ny changes to the organization, its management, or functions from prior implementations of ARMICS."

Cause

Management did not adequately plan for the ARMICS process and required staff to perform the entire ARMICS process in one business day.

Recommendation

Management should designate adequate resources to the timely and thorough completion of the ARMICS process.

Complete ARMICS Requirements

Finding Number: ARMICS-03

Compliance
Internal Controls

Condition

ARMICS documentation is incomplete and indicates that DCR did not complete all of the required steps of the ARMICS process.

Criteria

CAPP Topic 10305 and DOA ARMICS Policy requires an agency to document, evaluate, and test agency-level controls across the five components of Internal Control: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring

Consequence

DCR is not in compliance with DOA ARMICS directives and does not have an adequately documented ARMICS framework.

Cause

Management did not adequately plan for the ARMICS process and required staff to perform the entire ARMICS process in one business day.

Recommendation

Management at DCR should designate adequate resources to the timely and thorough completion of the ARMICS process.

Update CARS Reconciliation Policies and Procedures

Finding Number: CARS Recon-01

Compliance
Internal ControlsCondition

DCR restructured their chart of accounts at the start of fiscal year 2013, but they have not updated their Commonwealth Accounting and Reporting System (CARS) Reconciliation policies and procedures since 2005.

Criteria

CAPP Topic 20905 requires each agency to develop its own internal policies and procedures that are approved in writing by agency management. The agency's policies and procedures are to be up-to-date to reflect current operations.

Consequence

Due to the lack of up-to-date internal policies and procedures, DCR did not have procedures to follow after it restructured the chart of accounts at the start of 2013. As a result, no proper CARS reconciliations have been completed since July 2012.

Cause

Per DCR's management, there was inadequate staff training and management failed to ensure policies and procedures were updated annually and complete.

Recommendation

Management should develop and approve up-to-date policies and procedures for reconciling CARS and implement a process for updating them in the future.

Reconcile CARS Accounts Timely

Finding Number: CARS Recon-02

Compliance
Internal Controls

Condition

Per DCR's management, the agency was not performing a reconciliation of CARS accounts.

Criteria

Per CAPP Topic 20905, to ensure accuracy and uniformity in the preparation and reconciliation of financial data input to CARS, all internally prepared accounting records, data submission logs, and other accounting data must be reconciled to reports produced by CARS.

Consequence

If the CARS reconciliation is not complete, the agency is not able to provide timely and accurate information for decision making. Additionally, the accuracy of financial information for the Commonwealth's Comprehensive Annual Financial Report could be compromised.

Cause

Per DCR's management, inadequate training and lack of oversight caused the CARS reconciliations not to be completed.

Recommendation

Management should implement policies and procedures that ensure a full reconciliation of all accounts and ensure staff are properly trained to complete the reconciliations according to CAPP Topic 20905.

Discontinue CARS Certifications to Comptroller if the Reconciliation is Incomplete

Finding Number: CARS Recon-03

Compliance
Internal Controls

Condition

DCR did not complete CARS reconciliations as required by CAPP Topic 20905, but management certified to the Commonwealth's Comptroller that they had completed the reconciliation.

Criteria

CAPP Manual Topic 20905 requires the completion of a CARS reconciliation and subsequent certification of completion by agency management.

Consequence

Falsifying that CARS reconciles to the agency's accounting records detracts from the integrity of the records in CARS and may impact the accuracy of the Commonwealth's CAFR.

Cause

DCR's management chose to certify that the reconciliations were complete when no documentation of a reconciliation existed.

Recommendation

Management should implement a process to ensure the CARS reconciliations are actually completed before certifying to the Commonwealth's Comptroller.

Update Fixed Asset Policies and Procedures

Finding Number: Fixed Assets-01

Compliance
Internal ControlsCondition

DCR's fixed asset accounting procedures, dated September 14, 1990, do not reflect current CAPP Manual requirements related to fixed assets and have not been updated to comply with recommendations made in the Report on the Audit of DCR Fixed Assets issued by the DCR Internal Audit Office on February 7, 2014. As a result, asset valuation, asset disposal, and detailed Fixed Asset Accounting and Control System (FAACS) reporting standards are not reflected in the current procedures.

Criteria

CAPP Manual Topic 30105, dated July 2012, requires State agencies and institutions to have policies and procedures in place to ensure that appropriate assets are properly recorded in FAACS.

Consequence

DCR employees do not have policies to refer to in determining how to appropriately manage fixed assets. Improper reporting of assets in FAACS has occurred.

Cause

Management did not appropriately monitor its fixed assets policies, which allowed them to become outdated and obsolete.

Recommendation

Management must designate appropriate resources to ensure that fixed asset policies are updated to comply with CAPP Manual Requirements.

Transfer Construction in Progress Accounts to Fixed Asset Accounts

Finding Number: Fixed Assets-02

Compliance
Internal Controls

Condition

DCR did not transfer assets from Construction in Progress (CIP) accounts to the corresponding building, infrastructure, or equipment accounts when the assets become operational. The CIP accounts continue to contain assets that have been operational for several months and in some cases over a year.

Criteria

CAPP Manual Topic 30205 requires agencies to transfer constructed assets from the CIP account to the related building, infrastructure, or equipment accounts when they become operational. Constructed buildings, for example, are assumed to be operational when an authorization to occupy the building is issued, regardless of whether or not final payments have been made on all the construction contracts.

Consequence

DCR has not been accurately reporting its assets. This resulted in \$44 million adjustment to CIP in 2013 after CARS closed for the fiscal year.

Cause

Per DCR, there is lack of effective communication between the Design and Construction Division and the FAACS manager to ensure that operational assets are promptly capitalized.

Recommendation

Management must take appropriate actions to ensure that the FAACS manager is able to promptly review documentation to support the transfer of amounts from CIP to the appropriate fixed asset account.

Record Assets Properly in FAACS

Finding Number: Fixed Assets-03

Compliance
Internal ControlsCondition

DCR is not recording assets at their proper value in FAACS. Assets are being entered into the system at estimated values. In addition, different assets are grouped together as a single asset i.e. 10 cabins, a linen and maintenance building, bathhouse, and 30 full campsites were being reported as a single asset instead of separate assets.

Criteria

CAPP Manual Topic 30210 requires each state agency and institution to ensure that all asset acquisitions are recorded at the asset's proper value. Documentation must be maintained in support of each asset value assigned. In addition, assets should not be grouped. For example, in acquiring equipment, if three personal computers (PC) are acquired at \$2,000 each, this would not be a capital asset of \$6,000 consisting of three PC's. Instead, it would be three separate acquisitions of \$2,000. Each PC would be entered into FAACS as a separate controllable item.

Consequence

Improper recording of assets in FAACS prevents the accurate reporting of asset values in the Commonwealth's CAFR.

Cause

Per DCR, the FAACS manager has to estimate an asset's value in cases when actual values are not communicated to her by the appropriate DCR employees. In addition, the FAACS Manager does not have sufficient information to appropriately identify and record the value of separate assets.

Recommendation

Management must take appropriate actions to ensure that the FAACS Manager has the required information to support the recording of separate assets at their proper value.

Submit Sales Tax Returns and Tax Payments to the Virginia Department of Taxation

Finding Number: Tax-01

Compliance
Internal Controls

Condition

DCR failed to submit any tax returns or payments to the Virginia Department of Taxation since May 2013. In addition, of the five payments made in calendar year 2013, four were not paid by the 20th of the following month. As of March 2014, DCR is not able to determine their tax liability since May of 2013. Prior year payments and current year withholdings suggest that DCR currently owes approximately \$500,000 in delinquent taxes to the Department of Taxation.

Criteria

Code of Virginia § 58.1-615 requires all collectors of sales tax to submit returns no later than the 20th of the month following the month in which taxes are collected.

Consequence

Failure to pay sales taxes can cause DCR to incur excess fees from the Department of Taxation and will deprive the Commonwealth and its localities of sales tax revenue.

Cause

DCR has no policies or procedures regarding the proper collection, recordation, or payment of sales taxes. Per DCR, the responsibility for sales tax submissions has transferred between three different employees in the last year, none of whom were provided procedures outlining the sales tax submission process.

Recommendation

DCR should develop policies and procedures regarding the proper collection, recordation, and payment of sales taxes. DCR should also designate and adequately train personnel for this task. In addition, DCR should submit their delinquent taxes to the Department of Taxation as soon as possible.

Record Sales Tax Collections Properly in the Commonwealth Accounting and Reporting System

Finding Number: Tax-02

Compliance
Internal Controls

Condition

DCR does not follow the prescribed method for recording sales tax revenues in the Commonwealth Accounting and Reporting System. DCR did not use GLA 547 - Deposits Pending Distribution to record its state sales tax receipts.

Criteria

DOA CAPP Topic 20205 describes the proper procedure for the collection and recordation of sales tax within the Commonwealth Accounting and Reporting System. DOA requires agencies to record state sales tax receipts in GLA 547 - Deposits Pending Distribution.

Consequence

DCR is unable to determine their current sales tax liability. Failure to pay sales taxes can cause DCR to incur excess fees from the Department of Taxation and will deprive the Commonwealth and its localities of sales tax revenue.

Cause

DCR has no existing policies or procedures regarding the proper collection, recordation, or payment of sales taxes. Management did not properly monitor the submission of sales tax revenue or dedicate necessary resources to ensure its timely submission.

Recommendation

DCR should develop policies and procedures regarding the proper collection, recordation, and payment of sales taxes. DCR should also designate and adequately train personnel for this task. In addition, DCR should submit their delinquent taxes to the Department of Taxation as soon as possible.

Update Accounts Payable Policies and Procedures

Finding Number: AP-01

Compliance
Internal ControlsCondition

DCR's current Accounts Payable Policies and Procedures Manual does not accurately reflect actions currently performed by employees. As a result, travel expense procedures, employee contact information, and employee roles are outdated in the manual.

Criteria

Per CAPP Manual Topic 20310, each agency must establish a program of internal control which addresses the expenditure of State funds. CAPP Manual Topic 20905 states, "the lack of complete and up-to-date internal policies and procedures (customized to reflect the agency's staffing, organization, and operating procedures) reflects inadequate internal control."

Consequence

Employees lack clearly documented guidelines for performing their duties. As a result, actions may vary between employees, leading to inconsistency in payment processing.

Cause

Management did not appropriately monitor its Accounts Payable Policies, which allowed them to become outdated.

Recommendation

Management should designate appropriate resources to ensure that Accounts Payable Policies are updated to reflect current procedures and comply with CAPP Manual requirements.

Ensure Payments are made in Compliance with Prompt Payment Requirements

Finding Number: AP-02

Compliance
Internal Controls

Condition

DCR is not paying vendors in a timely manner.

Criteria

CAPP Manual Topic 20315 requires agencies to make payments 30 calendar days after the receipt of the goods, services, or invoice, whichever is later, or by the due date specified in the vendor's contract.

Consequence

According to management, DCR violated state prompt pay requirements at least 39 times during calendar year 2013. Failing to comply with prompt pay requirements can strain vendor relationships, result in late fees, and ultimately cause the agency to incur unnecessary expenses.

Cause

Vendors are incorrectly sending invoices to state parks when they should be sent to Accounts Payable in the Central Office. As a result, by the time the state park employees review the invoice and send them to Accounts Payable in the Central Office, Accounts Payable has significantly less time to process the invoice for payment in concurrence with prompt pay standards.

Recommendation

DCR should communicate to all vendors that they need to send their invoices to Accounts Payable in the Central Office. Additionally, state park employees should not delay forwarding any invoices they receive to Accounts Payable in the Central Office.

Chesapeake Bay Restoration Fund

Ensure all payments from the Chesapeake Bay Restoration Fund are allowable to the Fund

Finding Number: CBRF-01

Compliance
Internal Controls, Efficiency

Condition

DCR made three payments from the Chesapeake Bay Restoration Fund (CBRF) to a non-state entity that were unallowable to the CBRF. The CBRF was reimbursed for these expenses; however, this was not an authorized use of the CBRF accounts within the Commonwealth Accounting and Reporting System.

Criteria

According to CAPP Topic 60101, a fund in the Commonwealth's Accounting and Reporting System classifies data by fiscal entities necessary to comply with legal requirements and GAAP. The fund structure is not adjustable for agency management purposes.

Consequence

DCR did not comply with the fund basis of accounting, which is needed to meet the requirements of generally accepted accounting principles. DCR deposited revenues and expensed funds in and out of the CBRF that did not meet its statutory provisions. This used the General Assembly's appropriations for the CBRF for an unauthorized use.

Cause

DCR management used the CBRF within the Commonwealth Accounting and Reporting System as a conduit for payments unrelated to the CBRF. No other evidence or support exists for this action.

Recommendation

DCR should develop policies and procedures that ensure compliance with the CAPP Manual. DCR should also evaluate if the relationship with the Division of Legislative Services, for which this fund is administered is necessary and efficient. DLS has a fiscal office, and may be capable of managing these funds internally more efficiently.

Chesapeake Bay Restoration Fund

Report all Chesapeake Bay Restoration Fund Activity to the Division of Legislative Services

Finding Number: CBRF-02

Compliance
Internal Controls, Efficiency

Condition

DCR made three payments from the CBRF to a non-state entity that were unallowable to the Fund. These transactions were not reported in the year-end report to Division of Legislative Services (DLS).

Criteria

DCR, as the fiscal agent of the CBRF on behalf of the DLS, is required to maintain an accurate record of revenues and expenses within the Fund, and provide DLS with accurate reporting of CBRF fiscal activities and balances.

Consequence

DCR did not provide accurate fiscal information or transparency to DLS, the owner of the CBRF. Without accurate information, DLS cannot hold DCR accountable for its actions.

Cause

DCR management did not report all activity within the CBRF to DLS, specifically the activity in the Fund that was not authorized by DLS.

Recommendation

DCR should develop policies and procedures that ensure compliance with the CAPP Manual. DCR should also evaluate if the relationship with the DLS, for which this Fund is administered, is necessary and efficient. DLS has a fiscal office and may be capable of managing these funds internally more efficiently.

Treasury Loans and Communication

Repay Treasury Loans to the Commonwealth's Comptroller Timely

Finding Number: DOA-1

Compliance
Internal Controls

Condition

DCR did not repay a treasury loan to the Commonwealth's Comptroller by its due date. The due date for repayment of the loan was September 30, 2012. The actual repayment occurred on July 18, 2013, which was 291 days late.

Criteria

Per CAPP Topic 20805 "Loans are to be repaid as soon as funds become available, but in no case later than the due date."

Consequence

Failure to repay the treasury loan timely caused the Commonwealth's Comptroller to be non-compliant with Virginia Acts of Assembly, Chapter 806 - § 4-3.02 Treasury Loans- b. 2, which states "The term of any anticipation loans granted for operating expenses shall not exceed twelve months."

Cause

The loan repayment was late due to a poor control environment, lack of communication with the Commonwealth's Comptroller, ineffective internal controls, and inadequate internal oversight and reporting. The federal fund account that was required to repay the loan had sufficient funds to repay the loan several times after its due date; however, DCR's management did not repay the loan during those times.

Recommendation

Management should develop policies and procedures regarding treasury loans, and implement controls to ensure timely repayment of loans.

Respond Promptly to Inquiries from the Commonwealth's Comptroller

Finding Number: DOA-2

Compliance
Internal Controls

Condition

DCR did not respond to inquiries from the Comptroller and the Department of Accounts; some periods of non-communication lasted up to 80 days.

Criteria

Code of Virginia § 2.2-803 requires the Commonwealth's Comptroller to prescribe a system of unified financial accounting and control throughout the departments and agencies of the Commonwealth. The Comptroller is also required to prepare the Commonwealth's CAFR; effective communication with all state agencies ensures its accuracy.

Consequence

Non-communication with the Commonwealth's Comptroller increases the risk of errors in the Commonwealth's accounting system and increases the risk of additional non-compliance at the agency.

Cause

Management chose not to respond to the Comptroller's inquiries.

Recommendation

Management should promptly respond to all inquiries from the Commonwealth's Comptroller.

Implement Corrective Actions to Satisfy the November 23, 2013, FEMA Review

Finding Number: Federal-01

Compliance
Internal Controls

Condition

DCR received a monitoring review from the Federal Emergency Management Agency (FEMA) on November 23, 2013 that identified many significant deficiencies in internal control over federal compliance. A summary of FEMA's findings are located in Appendix A at the end of this report.

Criteria

OMB Circular A-133 §.300(b), requires DCR to maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Consequence

Non-compliance with federal grant management policies could result in DCR incurring questioned costs that must be returned to the federal government. The existing compliance issues have already caused DCR to be placed on a strict reimbursement program, which creates additional administrative burden as a result of increasing the time needed to process grant reimbursements.

Cause

DCR's grant management policies and procedures were inadequate and outdated. Per DCR, management did not devote the necessary resources to training and monitoring staff involved in the management of grant funds.

Recommendation

Management should dedicate adequate resources to updating federal grant policies and procedures, and ensure that employees are properly trained in federal grant management. Specifically, management should ensure all issues identified in the November 23, 2013, FEMA report are resolved.

Properly Reconcile Land Preservation Tax Credit Payments

Finding Number: LPTC-01

Compliance
Internal Controls

Condition

DCR is not properly reconciling the payments of the Land Preservation Tax Credit.

Criteria

CAPP Manual Topic 70105 requires all agencies to ensure that any automated accounting systems operated by the agency are fully reconciled to the DOA records and that timely corrections and adjustments are made to agency or DOA records as a result of these reconciliations.

Consequence

DCR overpaid state funds by \$16,180.54. DCR did not discover the overpayment until approximately 18 months after the error occurred.

Cause

Per DCR a double payment occurred in October 2012 and was not discovered until April 2014, because accounts were not reconciled timely.

Recommendation

Management should develop a process for reconciling Land Preservation Tax Credit payments and work with the non-profit that received a double payment to determine if there is a workable solution that is equitable to the parties involved.

Retrain Staff on New Accounting Structure and Test Controls

Finding Number: Coding-01

Compliance
Internal Controls

Condition

Per DCR, management did not communicate changes to their Financial Database System properly nor adequately train staff on the new accounting coding structure. Additionally, DCR did not adequately test the new database before placing it into operations at the start of fiscal year 2013.

Criteria

CAPP Topic 10305 requires agencies to reevaluate the controls over fiscal processes that are experiencing change, document the process changes, and test the key controls to ensure they are functioning as intended.

Consequence

During the first half of fiscal year 2013, the Financial Database System was not working properly and the agency was not able to properly track expenditures and revenues. Staff was not prepared for these changes, and continued to key transactions incorrectly.

Cause

Per DCR, management did not dedicate adequate resources to train staff on the new accounting system nor test that the system was functioning as intended. Additionally, DCR did not properly plan for change management.

Recommendation

Management should implement a process to retrain staff on the new accounting coding structure and its financial database system. Additionally, management should test the key controls of the new system.

Limit Agency Transactions to Justifiable Business Reasons

Finding Number: ATV-01

Internal Controls
Efficiency

Condition

DCR increased the number of Agency Transaction Vouchers (ATV) processed from 23,860 to 42,100 (76 percent) since fiscal year 2010. Per DCR, many of these transactions could be eliminated.

Criteria

As a best practice, DCR should only execute transactions that are deemed necessary to the financial operations of the agency.

Consequence

Processing an excessive number of ATVs requires an unnecessary use of labor hours. Additionally, it decreases transparency because revenues and expenditures are not easily matched.

Cause

DCR does not have an explicit policy that defines specific business reasons that warrant performing at ATV.

Recommendation

DCR should evaluate when it is necessary to perform ATVs and establish policies to limit their use to justifiable business reasons.

Develop and Implement Leasing Agreements for Employee Housing

Finding Number: Housing-01

Compliance
Internal Controls

Condition

Per DCR management, there are no leasing agreements between the agency and its employees residing in 94 housing units occupied in state parks. Additionally, DCR does not have lease agreements with two of the four employees that occupy housing units outside of state parks that are not owned by the Commonwealth. Department of General Services (DGS) emailed DCR templates of leases that should be used by DCR and these have been included in DCR's Residential Leasing Guidelines, dated May 10, 2013. However, DCR management does not require employees that are provided housing to sign these agreements. In addition, DCR has a draft memorandum of understanding that is to be entered into between DCR and its employees which has also not been used.

Criteria

Per Department of General Services Directive Number 6, when agencies provide employee housing, a lease document should be executed and handled between the employee and the agency.

Consequence

Lack of a contractual agreement results in no clear responsibilities for either the agency or employee residing in state-provided housing. The Commonwealth has no clear rights as a lessor, no recourse in the event of property damage, or specific rights to remove separated employees. The employee's tenancy rights have also not been established to ensure that they are provided reasonable living conditions by the agency. As a result, both the agency and employee are at increased risk of losses due to the lack of an agreement.

Cause

DCR has been aware that they should have leases; an internal audit report in 2009 recommended that leases be created in order to comply with Directive Number 6. Per DCR, there have been several attempts at establishing standard leases but none have been successful.

Recommendation

DCR must establish a standard leasing document that is to be entered into by the agency and each employee using state provided housing. Per Code of Virginia, 10.1-109, such leases shall be approved as to form and content by the Attorney General and the Department of General Services.

Procure Leased Housing through Department of General Services

Finding Number: Housing-02

Compliance
Internal Controls

Condition

Per DCR, the agency is leasing private housing outside of state parks so that employees may reside in the housing near to where they are assigned. The agency has entered into these agreements without proper approval by the Department of General Services.

Criteria

Per Code of Virginia § 2.2-1149, notwithstanding any provision of law to the contrary, no agency shall acquire real property or occupy real property without following the guidelines adopted by DGS and obtaining the prior approval of the Governor. Per the DGS Property Management Manual, Chapter 1, when state-owned space is not available to house public programs and services, and it is determined that purchasing or construction of a building with state funds is not a feasible option, the Division of Real Estate Services will manage the leasing of space required to fulfill the requirement. Agencies shall not expend appropriated funds for leases of real property without the prior written approval of the lease by the Governor. Also, DGS will be named tenant on all leases for agencies within the Executive Branch.

Consequence

DCR has circumvented the Division of Real Estate Services (DRES) whose purpose is to obtain real estate for the Commonwealth. DCR may have expended unnecessary funds in leasing property that should instead be leased by DRES who has the specialized resources to best obtain high-quality and reasonably-priced property.

Cause

Per DCR, prior management incorrectly informed staff that DCR could enter into its own off-state residential property lease agreements in accordance with Code of Virginia § 10.1-109 which states that "If the [DCR] Director determines that the availability of state-owned housing is inadequate to meet the onsite security and operational efficiencies requirements for Department-owned property, he may lease residential property not owned by the Commonwealth from prospective landlords for the purposes of subleasing to state employees who otherwise qualify for leasing state-owned housing." Since 2009, DGS has communicated with DCR that the "notwithstanding" language in Code of Virginia § 2.2-1149 supersedes this code section and that DCR may not enter into its own leases without DGS consent. The Office of the Attorney General has agreed with this legal interpretation and communicated its stand to DCR in September 2013. However, DCR has failed to alter its stand on off-state leasing and continues to maintain leases without DGS involvement.

Recommendation

DCR must communicate with DGS and the Attorney General to determine appropriate corrective action regarding all current and future leases that are entered into by DCR for non-state-owned housing.

Maintain Documentation to Justify Reduced Employee Lodging Rates

Finding Number: Housing-03

Compliance
Internal Controls

Condition

Employees in DCR's State Parks Division are charged rental payments of \$75 or \$100 depending on the employee's working title. However, the agency lacks documented justification for reduced housing rental rates for many of them. Rent has been waived without approval from the Cabinet Secretary or DGS, and without documentation showing that use of housing is a condition of employment. Specifically, no State Park District Managers are required to stay in housing per DCR's policies. As such, those who choose to, should be charged a fair market price in accordance with Directive 6. They are instead charged a \$100 per month for their housing. For various other employees, DCR lacks an approved waiver for reduced housing but only requires the employee to pay either \$75 or \$100 a month for housing.

Criteria

Per Department of General Services Directive Number 6, rent on State-owned housing may be waived by the agency head for any employee who occupies such facility as a condition of employment and this condition is communicated to DGS when the lease is submitted for approval. If not a condition, then the agency should collect a rental charge in accordance with Policy 2 of Directive Number 6 so as to cover: the fair value of the property, cost of utilities, cost of furnishings and appliances, cost of repair and upkeep, cost of insurance, and cost of any other appropriate housing services. The agency may also charge less if a legitimate reason exists for providing discounted housing which is approved by the respective Cabinet Secretary and DGS when the lease is submitted for approval.

Consequence

The agency has used state funds to cover a large amount of employee living expenses without proper approval from either DGS or the appropriate Cabinet Secretary.

Cause

The agency lacks controls to ensure that rental rates are appropriately justified. No leases are created between employees and DCR and; therefore, the reduced rates were not submitted to either the Cabinet Secretary or DGS for approval. No documentation supporting housing as a condition of employment is communicated to DGS and retained by DCR.

Recommendation

DCR should review employee housing arrangements and communicate with DGS and with its Cabinet Secretary to ensure that adequate justification for reduced rates is obtained and documented. Any unsupported and non-justified rates should be corrected immediately.

Maintain Documentation for State Park Housing and Report Value to Internal Revenue Service

Finding Number: Housing-04

Compliance
Internal Controls

Condition

Per DCR, the Commonwealth is providing employees with housing in state parks without documentation supporting that the housing is a condition of their employment. These employees do not have the value of the lodging included in their gross income.

Criteria

Per the Code of Federal Regulations, Title 26, Chapter I, Subchapter A, Part 1, Section 1.119-1 "The value of lodging furnished to an employee by the employer shall be excluded from the employee's gross income if three tests are met: (1) The lodging is furnished on the business premises of the employer, (2) The lodging is furnished for the convenience of the employer, and (3) The employee is required to accept such lodging as a condition of his employment. If the tests described are not met, the employee shall include in gross income the value of the lodging regardless of whether it exceeds or is less than the amount charged."

Consequence

DCR employees have not been paying required income taxes on their housing to the IRS, as the value of their housing has not been properly reported to the IRS or to the employee by DCR.

Cause

DCR does not have properly approved condition of employment documentation or controls to ensure that housing values are included in gross income. In reviewing the District Manager Housing Decision Brief, dated March 18, 2013, we also found that management was aware that making housing optional for District Managers would require their housing to be taxable. DCR continued excluding the value of lodging from gross income despite their knowledge of the requirement to report it as taxable income to the federal government.

Recommendation

For employees required to live in Commonwealth housing, DCR should maintain proper documentation supporting that the housing is a condition of employment. Employees who do not have this condition must have the value of the housing included in gross income. Also, DCR should determine the value of housing that should have been taxable and consult with appropriate tax authorities to ensure that employee incomes are properly reported and any unpaid tax issues are resolved.

Maintain Documentation for Off-State Park Housing and Report Amounts to Internal Revenue Service as Required

Finding Number: Housing-05

Compliance
Internal Controls

Condition

Per DCR, employees who are provided housing off of state property do not have the value of the property included in their gross income.

Criteria

Per the Code of Federal Regulations, Title 26, Chapter I, Subchapter A, Part 1, Section 1.119-1 "The value of lodging furnished to an employee by the employer shall be excluded from the employee's gross income if three tests are met: (1) The lodging is furnished on the business premises of the employer, (2) The lodging is furnished for the convenience of the employer, and (3) The employee is required to accept such lodging as a condition of his employment. If the tests described are not met, the employee shall include in gross income the value of the lodging regardless of whether it exceeds or is less than the amount charged."

Consequence

DCR employees have not been paying required income taxes on their housing to the IRS, as the value of their housing has not been properly reported to the IRS or to the employee by DCR.

Cause

DCR lacks proper controls to ensure that employees living in agency-provided housing off of state property have the value of their housing included in their gross income.

Recommendation

DCR should implement controls to ensure that the value of housing is included in gross income for employees who reside in agency-provided housing off of state property. Also, DCR should determine the value of housing that should have been taxable and consult with appropriate tax authorities to ensure that employee incomes are properly reported and any unpaid tax issues are resolved.

Ensure Employee Lodging Rates Agree with DCR Policies

Finding Number: Housing-06

Compliance
Internal Controls

Condition

Employees are charged monthly rental rates that are inconsistent with the DCR Residential Leasing Guidelines, dated May 10, 2013. Some employees are receiving subsidized rental rates, though DCR's own policies require them to pay full market rate.

Criteria

DCR's Residential Leasing Guidelines, dated May 10, 2013, states that District Park Managers should pay \$100 monthly for housing. Park managers, assistant park managers, and park chief rangers should pay \$75 a month. All other employees should pay fair market value for their housing.

Consequence

DCR employees have been paying rental rates inconsistent with agency policies. In most situations this means that the agency is using state funds to improperly subsidize employee housing.

Cause

DCR employees responsible for reviewing the rental rates were unaware that the DCR Residential Leasing Guidelines existed.

Recommendation

DCR should ensure that the DCR Residential Leasing Guidelines are communicated to employees so that policies may be correctly applied by the agency. Additional controls should be put in place to specifically ensure that the correct lodging rates are charged.

Maintain Residential Fee Deduction Authorization Forms for Required Employees

Finding Number: Housing-07

Compliance
Internal Controls

Condition

DCR was unable to provide signed Residential Fee Deduction Authorization forms for various employees.

Criteria

DCR's Residential Leasing Guidelines, dated May 10, 2013, states that Human Resources will have employees that reside in agency-provided housing sign the Residential Fee Deduction Authorization form.

Consequence

Employees are having rent payments deducted from their pay without authorization forms demonstrating their consent for the deduction.

Cause

DCR lacks controls to ensure that the Residential Fee Deduction Authorization forms are maintained for all employees being provided housing.

Recommendation

DCR should implement appropriate controls to ensure that the forms are completed and maintained for each employee.

Inspect State Park Housing and Maintain Records

Finding Number: Housing-08

Compliance
Internal Controls

Condition

DCR does not maintain adequate documentation demonstrating that each property receives regular inspections or that any inspections are conducted properly.

Criteria

DCR's Residential Leasing Guidelines, dated May 10, 2013, state that a site manager will inspect the exterior and grounds of the residence annually and that the employee must maintain the premises in good condition.

Consequence

There is no evidence that housing units were periodically inspected. Without proper inspections, there is a risk that the unit will incur damage without management's knowledge or that an employee maybe residing in poor living conditions provided by the Commonwealth.

Cause

Per DCR, housing inspections are handled differently by each park and no central policies are used to dictate how often inspections are performed or to what specification. As a result, documentation is not consistently maintained for inspections performed.

Recommendation

DCR should perform housing inspections at least annually in accordance with their own policies, and properly document all inspections to ensure that property is maintained in good condition and that issues are quickly addressed.

Transfer the State Parks Special Project Fund to the Treasurer of Virginia

Finding Number: SPPF-01

Compliance
Internal Controls, Efficiency

Condition

DCR maintains the State Parks Project Fund in an account that is not controlled by the Treasurer of Virginia and; therefore, its transactions are not reported in CARS. There is no current business reason that justifies the accounts not being maintained by the Treasurer of Virginia.

Criteria

CAPP Topic 20205 requires state funds to be deposited with the Treasurer of Virginia unless a valid business reason exists for alternative management of deposits.

Consequence

By maintaining the State Parks Project Fund outside of the control of the Treasurer, DCR's management is responsible for additional internal controls provided to accounts within CARS. There also is an increased risk of unauthorized and fraudulent transactions.

Cause

Management did not transfer the accounts of the State Parks Project Fund into the Commonwealth Accounting and Reporting System.

Recommendation

DCR should transfer their accounts that are not with the Treasurer of Virginia to CARS and implement new policies and procedures for the State Park Project Fund.

Implement Controls to Report State Park Project Fund Vendor Payments

Finding Number: SPPF-02

Compliance
Internal Controls

Condition

DCR paid a contractor directly from the State Park Project Fund bank account. However, DCR has no controls over reporting to ensure a proper IRS 1099 tax form is issued. A 1099-MISC may have been required according to Internal Revenue Service requirements.

Criteria

Per CAPP Topic 20205, the responsibility for the proper management of funds that are not maintained by the Treasurer of Virginia resides with the agency.

Consequence

A lack of controls over payments from the account could subject the agency to unnecessary costs and non-compliance with state and federal regulations.

Cause

Management at DCR did not implement sufficient controls over the management of revenue and expense reporting in the State Park Project Fund.

Recommendation

DCR should determine if a 1099-MISC is required for any contractors paid directly from the State Park Project Fund.

Implement Controls to Ensure State Park Project Fund Payments are Properly Supported

Finding Number: SPPF-03

Compliance
Internal Controls

Condition

DCR used the same vendor invoice to support two separate payments from the State Park Project Fund to the Commonwealth's General Fund. The June 22, 2012, payment of \$10,245.08 was a duplicate of a payment made on June 14, 2012.

Criteria

Per CAPP Topic 20205, the responsibility for the proper management of funds that are not maintained by the Treasurer of Virginia resides with the agency.

Consequence

The State Park Special Project Fund, which contains grants, gifts, and bequests, improperly reimbursed the General Fund of the Commonwealth for \$10,245.08.

Cause

Management at DCR did not implement sufficient controls over expenses in the State Park Project Fund. The employee with signing authority did not review the invoices sufficiently prior to payment.

Recommendation

DCR should determine if the General Fund should refund the duplicate payment of \$10,245.08 back to the State Park Project Fund.

Provide Documentation of Losses on State Property to State Treasury Division of Risk Management Timely

Finding Number: Risk Management-01

Compliance
Internal Controls

Condition

DCR is not providing all supporting documentation for property losses to the Virginia Department of Treasury's Division of Risk Management (DRM) within two years of the date of the loss. Specifically, DCR did not provide all documentation for the Hurricane Irene losses incurred on August 27, 2011, at state parks within the required two years.

Criteria

Per the DRM Property Risk Management Plan, DRM should be notified of a loss's occurrence within two years in order for DRM to reimburse an agency for the loss.

Consequence

DCR may not be able to obtain property loss reimbursements if documentation is not provided to DRM in a timely fashion. DCR may therefore not receive compensation for losses.

Cause

Per DCR, there is lack of effective communication between the State Parks Division and Risk Management. Therefore documentation is not consistently prepared and sent to DRM in a timely manner.

Recommendation

DCR should ensure that required loss documentation is complete and sent to DRM in a timely manner.

Use Agency Risk Management Function for All Loss Claims

Finding Number: Risk Management-02

Compliance
Internal Controls

Condition

Claims related to property losses are inconsistently handled by DCR. Some claims are submitted to the Federal Emergency Management Agency (FEMA) by state parks staff without the involvement of DCR's Risk Management Office or the Virginia Department of Treasury's Division of Risk Management (DRM).

Criteria

Per the DRM Website, claims involving loss to state-owned buildings, their contents, and other property are handled by DRM. Therefore, DCR's Risk Management Office should work with Treasury's DRM to properly recover losses of State Property.

Consequence

DCR's Risk Management Office is not able to appropriately monitor all claims to ensure they are complete and submitted in a timely manner.

Cause

DCR's loss management policies do not sufficiently address which party: DCR's Risk Management Office or the State Parks Division, is responsible for filing claims for losses and working with DRM.

Recommendation

DCR should use its existing Risk Management function to process all loss claims related to state property. In addition, DCR should update its existing policies and procedures to clearly define the parties responsible for managing all risk management claims at the agency.

Update Small Purchase Charge Card Policies

Finding Number: SPCC-01

Compliance
Internal Controls

Condition

DCR's Small Purchase Charge Card (SPCC) Policies and Procedures Manual dated November 14, 2002, does not comply with requirements outlined in CAPP Manual Topic 20355.

Criteria

Per CAPP Manual Topic 20355, dated February 2011, "Agencies must establish written procedures for use of the purchasing card and provide copies of the procedures to all cardholders and their supervisors."

Consequence

DCR employees do not have SPCC policies and procedures that reflect the current requirements they are required to follow to appropriately manage their purchase card, which increases the risk of cards being used for inappropriate or fraudulent activity.

Cause

Management did not appropriately monitor the Small Purchase Charge Card Program and allowed its policies and procedures manual to become out-dated.

Recommendation

Management should designate appropriate resources to ensure that SPCC policies and procedures at DCR are updated to comply with current CAPP Manual requirements.

Dedicate Necessary Resources to Monitoring Small Purchase Charge Card Program

Finding Number: SPCC-02

Compliance
Internal Controls

Condition

Per DCR's management, the SPCC Program Administrator lacks appropriate time to adequately monitor the SPCC Program and ensure DCR complies with SPCC policies in the CAPP Manual.

Criteria

CAPP Manual Topic 20355 requires SPCC Program Administrators to ensure the agency complies with SPCC policies presented in the CAPP Manual.

Consequence

Due to inadequate oversight, there is an increased risk of cards being used for inappropriate or fraudulent activity.

Cause

Management did not adequately staff to ensure there was a designated Program Administrator with sufficient time to properly manage the SPCC Program. The Program Administrator is currently balancing multiple procurement roles and is unable to give the SPCC Program the required oversight.

Recommendation

Management should designate an SPCC Program Administrator who can focus on correcting weaknesses in the purchase card program and ensuring that the program complies with CAPP guidelines. A backup should also be designated to perform duties in their absence.

Discontinue Use of Small Purchase Charge Cards for Routine Travel

Finding Number: SPCC-03

Compliance
Internal Controls

Condition

DCR employees used purchase cards to pay for travel, which were not airline tickets, mass transit tickets, or car rentals.

Criteria

CAPP Manual Topic 20355 prohibits the use of purchase cards for business travel expenses with the exception of airline tickets, mass transit tickets, and, under certain conditions, car rentals.

Consequence

Controls surrounding travel could be circumvented and improper management of travel expenses and budgeting can occur.

Cause

Management removed the travel restriction from the purchase cards and allowed employees to use the cards for travel expenses.

Recommendation

Management should closely monitor the Small Purchase Card Program in order to ensure that travel expenses are not charged to SPCCs but are instead charged to travel cards or paid by employee funds and then reimbursed in accordance with the CAPP Manual.

Reevaluate the Number of Small Purchase Charge Cards Issued

Finding Number: SPCC-04

Compliance
Internal Controls

Condition

269 of DCR’s 931 employees (29 percent) are assigned a purchase card. Per DCR’s management, some current purchase cardholders do not require purchase cards to perform their assigned duties.

Criteria

Per CAPP Manual Topic 20355, purchase cards should only be issued to appropriate individuals.

Consequence

As these employees should not require a card, there is an increased risk that the purchases they make are inappropriate or fraudulent. In addition, monitoring such a large number of cardholders requires an additional time commitment from the SPCC Program Administrator.

Cause

Management did not appropriately monitor the SPCC issuance process and allowed improper employees to obtain purchase cards.

Recommendation

Management should reevaluate all current purchase cardholders and ensure that only employees that require a card in order to properly perform their duties possess one. Employees who do not require a card should have their card cancelled. Additionally, management should modify their evaluation system to ensure that only appropriate individuals receive cards in the future.

Ensure Small Purchase Charge Cards are not Used to Circumvent Procurement Procedures

Finding Number: SPCC-05

Compliance
Internal Controls

Condition

According to DCR's management, employees used purchase cards at point of sale to circumvent proper procurement procedures. In instances when state contracts, eVA purchase orders, and other procurement methods are appropriate, charge cards were used to obtain goods and services.

Criteria

CAPP Manual Topic 20355 states that the purchasing card must not be used to circumvent procurement guidelines including the use of eVA, state contracts, and procurement methods outlined in the Agency Procurement and Surplus Property Manual (APSPM).

Consequence

Point of sale transactions via purchase cards may not be beneficial to the agency, as superior or less expensive goods and services may be obtained through proper procurement methods such as eVA purchase orders and use of state contracts. Individual employees may not evaluate their needs and budget accordingly before purchasing. Per DCR, they instead simply buy items on site and if the incorrect items were purchased, a repurchase of the correct items is required. Purchase limit requirements set forth by the CAPP Manual and APSPM may also be circumvented through the use of multiple card purchases.

Cause

Management does not effectively monitor employee transactions to ensure that proper procurement methods are used.

Recommendation

Management should develop a system in which supervisors can effectively monitor employee transactions to ensure use of proper procurement methods.

Reevaluate the Number of Small Purchase Charge Card Groups

Finding Number: SPCC-06

Compliance
Internal Controls

Condition

There are an excessive number of SPCC groups at DCR. There are 105 purchase card groups at DCR for 269 cardholders.

Criteria

CAPP Manual Topic 20355, requires that agencies maintain strict internal control over the use of purchase cards.

Consequence

The large number of groups makes it difficult for the SPCC Administrator to properly track all groups and ensure that employees continue to be assigned to the correct group. This increases the risk that improper or fraudulent purchases may be made.

Cause

According to DCR's management, some supervisors did not want the responsibility of reviewing multiple cardholders' transactions in their group and; therefore, had their subordinates create additional groups in which the subordinates could review each other's purchases. Some subordinates in turn do not want to review a large number of cardholders and; therefore, created additional subgroups. This process of creating new groups continued until many groups consisted of one or two individuals, and some locations having multiple groups.

Recommendation

Management should reduce the number of groups to ensure that the number of groups is manageable and can be appropriately tracked by the SPCC Administrator and the supervisors that are required to approve purchases.

Ensure Small Purchase Charge Card Supervisors are Adequately Trained

Finding Number: SPCC-07

Compliance
Internal Controls

Condition

Peer employees are allowed to review each other’s SPCC transactions without a subsequent supervisor’s review. In addition to the lack of oversight, some of these peer groups did not receive adequate training to be able to appropriately review card transactions for reasonableness.

Criteria

CAPP Manual Topic 20355, requires that agencies maintain strict internal control over the use of purchase cards.

Consequence

Peer to peer reviews without oversight increases the risk of employees colluding to conceal fraudulent transactions. In addition, untrained reviewers increases the risk of improper purchases.

Cause

Per DCR’s management, some supervisors do not want the responsibility of having to review multiple cardholders’ purchases in their group and therefore DCR has created additional groups to allow subordinates to review each other’s purchases.

Recommendation

Management should restructure its SPCC groups so that each group’s designated approver possesses adequate knowledge of procurement procedures and can properly review purchases.

Ensure Small Purchase Charge Cards are Restricted for Use at Vendors that Accept Credit Cards

Finding Number: SPCC-08

Compliance
Internal Controls

Condition

Purchases were made from vendors that did not accept credit cards as a method of payment. The vendor instead processed the purchase card payment through alternative means. As a result, in one case, the cardholder knowingly made a payment of \$300 to a chiropractor for the purchase of taxidermy products. In another case, the cardholder made a payment of \$1,490 to a nail salon for industrial machinery.

Criteria

Per CAPP Manual Topic 20310, in order to make a purchase, the agency must identify a vendor that sells the goods and services needed and accepts the purchasing card.

Consequence

State funds were used to pay incorrect vendors, which makes it difficult for management to effectively monitor the use of Small Purchase Charge Cards.

Cause

Management did not appropriately monitor the Small Purchase Charge Card Program and allowed unreasonable expenses to be incurred on the cards. Staff are not properly trained on SPCC policies.

Recommendation

Management should implement proper internal controls over the SPCC program. In addition, management must dedicate additional resources to monitor compliance with SPCC guidelines.

Maintain Itemized Receipts for Small Purchase Charge Card Purchases

Finding Number: SPCC-09

Compliance
Internal Controls

Condition

DCR processed payments for meals that did not include an itemized receipt. Therefore, there is no guarantee that applicable per diem rates and guidelines were adhered to or that alcoholic beverages and other unallowables were not purchased. Payments included \$242.38 at Buffalo Wild Wings and \$88.37 at Capital Ale House. Another payment was for \$377.57 at the Charbroil Grill Restaurant which also did not include business meal approval and included a tip of \$100, 36 percent, without a justification documented.

Criteria

Per CAPP Manual Topic 20335, business meals must involve substantive and bona fide business discussions and include the original, itemized receipt.

Consequence

Undocumented expenses were incurred by the agency, which may be an indication that the Commonwealth's funds were misused.

Cause

Management did not appropriately monitor the Small Purchase Charge Card Program and did not require employees to reimburse the state for undocumented expenses on the cards. Employees are not properly trained on SPCC policies.

Recommendation

Management should require employees to obtain the required itemized receipt for each payment or reimburse the Commonwealth. Additionally, for each business meal management should require the staff to document their bona fide business discussions.

Ensure IT Procurements are not Completed with Small Purchase Charge Cards

Finding Number: SPCC-10

Compliance
Internal Controls

Condition

Without authority from the Virginia Information Technology Agency (VITA), an employee used the SPCC assigned to them to buy a laptop. Per the Cardholder, VITA would not provide a laptop for an employee for teleworking purposes. The employee used the SPCC to purchase an HP laptop for \$803.98 without VITA approval.

Criteria

Per the VITA Information Technology (IT) Procurement Policy Manual, Executive branch agencies do not have the authority to procure IT and telecommunications goods and services on their own behalf, unless such authority is explicitly delegated to them by VITA.

Consequence

VITA procurement guidelines have been circumvented and a DCR employee is using a laptop to connect to the Commonwealth's network that is not protected by VITA.

Cause

Management did not appropriately monitor the Small Purchase Charge Card Program, which allowed an employee to buy a laptop without VITA's authorization or oversight.

Recommendation

Management should ensure the laptop purchased by DCR meets Commonwealth Security Standards and obtain VITA's approval before procuring IT and telecommunications goods and services in the future.

Maintain Supporting Documentation for All Small Purchase Charge Card Purchases

Finding Number: SPCC-11

Compliance
Internal Controls

Condition

Management could not provide supporting documentation for some card purchases. These included \$6,375 for trash services, a \$248.64 stay at a Marriot in Greenbelt, Maryland, and \$400.11 meal at Bubba's Restaurant.

Criteria

Per CAPP Manual Topic 20355, the agency must keep all supporting documentation pertaining to purchases on file.

Consequence

There is no support to validate that expenses incurred were for valid business purposes.

Cause

Management did not appropriately monitor the Small Purchase Charge Card Program and did not ensure that employees retained supporting documentation for their state purchases.

Recommendation

Management should implement proper internal controls over the SPCC program to ensure that all expenses are properly supported. In addition, management must dedicate additional resources to monitor compliance with SPCC guidelines.

Ensure Small Purchase Charge Card Payments Include Documentation of a Business Justification

Finding Number: SPCC-12

Compliance
Internal Controls

Condition

DCR paid \$198 for a stay at the Olde Mille Golf Resort, which did not include support justifying it as being considered essential for the operation of the agency. Also, DCR spent \$77.70 at Wal-Mart for retirement party supplies.

Criteria

Per CAPP Manual Topic 20310, agency purchases must be considered essential to the operation of the agency and in support of the agency's mission to justify the use of state funds. This includes agency-sponsored event expenses such as retirement parties, holiday decorations, and charitable contributions.

Consequence

Unjustified expenses have been incurred by the agency, which may be an indicator that state funds were misused.

Cause

Management did not appropriately monitor the Small Purchase Charge Card Program, which allowed unjustified expenses to be incurred by the state.

Recommendation

Management should ensure employees provide a written business justification for all SPCC purchases.

Implement Controls to Ensure Small Purchase Charge Cards are Not Used for Personal Purchases

Finding Number: SPCC-13

Compliance
Internal Controls

Condition

A DCR employee booked a hotel room for a personal trip in the amount of \$130.91 while another employee purchased music on iTunes for \$11.

Criteria

Per CAPP Manual Topic 20310, agency purchases must be considered essential to the operation of the agency and in support of the agency's mission to justify the use of state funds. This includes employee personal expenses.

Consequence

Personal expenses have been incurred by the agency.

Cause

Management did not appropriately monitor the Small Purchase Charge Card Program and allowed personal expenses to be incurred on the cards.

Recommendation

If not already done, DCR's management should obtain reimbursement from these employees for personal expenses. Additionally, DCR should implement proper internal controls over the SPCC program to prevent personal expenses in the future and dedicate resources as necessary to monitor compliance with SPCC guidelines.

Ensure Unallowable Hotel Cancellation Fees are Not Paid on Small Purchase Charge Cards

Finding Number: SPCC-14

Compliance
Internal Controls

Condition

As a result of booking two separate hotels for the same employees, DCR paid \$342.96 in no-show fees when the agency failed to cancel hotel reservations within the time allotted.

Criteria

Per CAPP Manual Topic 20335, the agency must communicate travel plan changes to the hotel as soon as possible when a confirmed reservation is being held. Since hotels can charge for non-canceled reservations, these charges will not be reimbursed by the agency if the traveler is negligent in canceling reservations.

Consequence

Unreasonable expenses have been incurred by the agency.

Cause

Management did not appropriately monitor the Small Purchase Charge Card Program and allowed unreasonable expenses to be incurred on the cards. Per client emails, management was aware of the no-show fees, and did not take action to seek reimbursement from responsible employees.

Recommendation

Management should implement proper internal controls over the SPCC program. In addition, management should dedicate resources as necessary to monitor compliance with SPCC guidelines.

Ensure Employees are Not Using Split Purchases to Circumvent Procurement Controls

Finding Number: SPCC-15

Compliance
Internal Controls

Condition

In reviewing purchase card transactions, we found two instances in which purchases were split into several smaller transactions to circumvent their single transaction limit. One instance was for 5 transactions totaling \$15,100, while the second instance was for 6 transactions totaling \$8,100.

Criteria

Per CAPP Manual Topic 20355, the cardholder may not exceed their single transaction limit by splitting an invoice into multiple smaller payments i.e. exceeding a \$5,000 limit by splitting a \$6,000 transaction into two \$3,000 transactions

Consequence

Cardholders have exceeded their purchasing authority by circumventing purchase card regulations and controls. Proper procurement methods have been circumvented, which could result in the agency obtaining inferior and more expensive goods and services.

Cause

Management did not appropriately monitor the Small Purchase Charge Card Program and allowed single transaction limits to be circumvented through split purchases.

Recommendation

Management must ensure that employees are not splitting invoices into multiple smaller payment to exceed their single transaction limit without proper authorization.

Update and Improve Travel Policies and Procedures

Finding Number: Travel-01

Compliance
Internal ControlsCondition

DCR's Policies and Procedures-Travel and Business Meal Expenses: Effective December 1, 1997, is outdated. As a result they do not comply with current CAPP Manual requirements.

Criteria

DCR's Policies and Procedures Manual must comply with travel regulations outlined in CAPP Manual Topics 20355 - State Travel Regulations, dated October 1, 2013.

Consequence

DCR employees do not have proper travel policies and procedures to refer to in determining how to appropriately manage travel expenses; there is an increased risk of unreasonable or fraudulent travel expenses being incurred.

Cause

DCR's management did not appropriately monitor the travel program and allowed the policies and procedures manual to become outdated.

Recommendation

Management must designate appropriate resources to ensure that DCR's policies and procedures manual is updated to comply with current travel CAPP Manual Requirements.

Develop Travel Card Policies and Procedures

Finding Number: Travel-02

Compliance
Internal ControlsCondition

DCR does not have travel card program policies and procedures, but DCR does have travel card users.

Criteria

DCR needs travel card program policies and procedures that agree with CAPP Manual Topic 20360-Travel Charge Card.

Consequence

DCR employees do not have proper travel policies to refer to in determining how to appropriately manage their travel cards; there is an increased risk of unreasonable or fraudulent travel expenses being incurred.

Cause

Per DCR, management and staff resist using travel cards and the development of respective policies and procedures.

Recommendation

If employees are allowed to participate in the travel card program, DCR's management must designate appropriate resources to ensure that travel card policies and procedures are developed that comply with CAPP Manual Requirements.

Update Agency Vehicle Management Policies

Finding Number: Travel-03

Compliance
Internal Controls

Condition

DCR's Agency Vehicle Management Policy dated January 3, 2005, does not comply with current Office of Fleet Management Services Policies and Procedures Manual (OFMS) policies and procedures.

Criteria

Per the Department of General Services' (DGS) OFMS Policies and Procedures Manual, dated March 2012, DCR must establish internal agency procedures to assure vehicles are maintained and operated in accordance with OFMS policies and procedures.

Consequence

DCR employees do not have proper vehicle management policies to refer to in determining how to appropriately manage fleet expenses; there is an increased risk of unreasonable or fraudulent fleet expenses being incurred.

Cause

Management did not appropriately monitor the vehicle management program and allowed the policies and procedures manual to become outdated.

Recommendation

Management must designate appropriate resources to ensure that DCR's policies and procedures manual is updated to comply with current fleet management CAPP Manual Requirements.

Develop Policies and Procedures for the Commuter Choice Program

Finding Number: Travel-04

Compliance
Internal ControlsCondition

DCR has no documented policies and procedures for its Commuter Choice Program to aid in proper implementation of the program.

Criteria

According to the Implementation Guide prepared by the Department of Rail and Public Transportation in support of Executive Order 71 (01), agencies must “[m]ake sure that [...] human resources staff updates any agency personnel manual to reflect inclusion of these benefits for agency employees.”

Consequence

Without any policies or procedures governing the Commuter Choice Program, DCR may not comply with Internal Revenue Service regulations, incur unnecessary expenses, and not be able to hold employees accountable for their actions.

Cause

Per DCR, management did not feel that a policies and procedures manual was necessary in managing the Commuter Choice Program.

Recommendation

DCR should allocate appropriate resources in developing a policies and procedures manual for its Commuter Choice Program that effectively communicates the program's regulations, benefits, and expectations to employees.

Ensure Travel Reimbursement Vouchers are Accurate and Complete

Finding Number: Travel-05

Compliance
Internal ControlsCondition

DCR improperly completed travel expense reimbursement vouchers, which were approved and paid. We found vouchers which did not include adequate supporting documentation for expenses, portions of the voucher were left incomplete, and improper mileage rates were reimbursed. For travel occurring in 2013 using a personally owned vehicle, DCR used the 2012 IRS Reimbursement Rate of 0.555 instead of the 2013 rate of 0.565.

Criteria

Per CAPP Manual Topics 20355 - State Travel Regulation, Travel Expense Reimbursement Vouchers must be properly completed in order for the traveler to be reimbursed. Additionally, according to CAPP Topic 20355, the current IRS reimbursement rate is to be used when a personally owned vehicle is used for travel and use of that vehicle is cost justified or a State-owned vehicle is not available.

Consequence

The payment of travel expenses submitted on improperly completed vouchers may result in unsupported and inaccurate reimbursements by DCR.

Cause

Management does not have sufficient processes in place to ensure that travel reimbursement vouchers are properly completed and reviewed.

Recommendation

Management should allocate appropriate resources to ensure that travel reimbursement vouchers are appropriately completed and that a sufficient review process is in place.

Ensure Commuter Choice Invoices are Reconciled

Finding Number: Travel-06

Compliance
Internal ControlsCondition

Per DCR, as part of the GRTC Commuter Choice Program, a monthly invoice for travel expenses incurred by DCR employees under the program is received along with a GRTC employee travel expense report showing travel expenses for each individual employee. Prior to payment, the invoice is to be reconciled to this data to ensure that the total expenses agree and that no employee exceeded the allotted monthly expenses shown on their program registration form. However, the April 2013 payment was made with no such reconciliation having been performed.

Criteria

Per CAPP Manual Topic 20310, agency procedures must establish appropriate internal controls to ensure the proper use of funds for all state expenses.

Consequence

Lack of improper reconciliations of GRTC invoices received to employee travel expense reports can result in improper payments being made to GRTC and employees violating regulations in their program registration form.

Cause

Per DCR, due to understaffing, the agency's current Administrative Services Manager does not possess sufficient resources to properly manage vendor payments. The Manager is currently balancing multiple roles and is unable to give required oversight to vendor payments and other roles assigned.

Recommendation

DCR must appropriately staff to ensure some tasks given to the Administrative Services Manager are dispersed amongst other properly-trained employees so that monthly reconciliations of GRTC invoices to employee travel expense reports are performed prior to any vendor payments being made.

Ensure Commuter Choice Invoices are Promptly Paid

Finding Number: Travel-07

Compliance
Internal Controls

Condition

DCR did not meet the prompt payment requirements for one payment reviewed. DCR paid its GRTC January 2013 invoice for the Commuter Choice Program payments that was received on February 11, 2013, on March 29, 2013, thus violating prompt pay terms of paying within 30 calendar days.

Criteria

Per CAPP Manual Topic 20315, payments should be made 30 calendar days after the receipt of the goods, services, or invoice whichever is later, or by the due date specified in the vendor's contract.

Consequence

DCR is in violation of state prompt pay guidelines which are in place to promote sound cash management and improved vendor relationships by ensuring timely payments for goods and services. Failure to follow these guidelines can strain vendor relationships, result in late fees, and ultimately cause the agency to incur unnecessary expenses.

Cause

Per DCR, due to understaffing, the agency's current Administrative Services Manager does not possess sufficient resources to properly manage vendor payments. The Manager is currently balancing multiple roles and is unable to give required oversight to vendor payments and other roles assigned. In addition, an invoice was not delivered to Accounts Payable until 46 days after the invoice date.

Recommendation

DCR must appropriately staff to ensure some tasks given to the Administrative Services Manager are dispersed amongst other properly-trained employees so that payments comply with prompt pay guidelines. DCR should ensure that invoices received are presented to Accounts Payable in a timely fashion for payment.

Ensure Change Orders are Properly Approved

Finding Number: Procurement-01

Compliance
Internal ControlsCondition

DCR processed a change order on November 30, 2011, for an additional \$318,240 on a contract with an existing price of \$795,500. This contract modification was not approved by the Governor or his designee (DGS). This 40 percent increase included numerous commodities that were not in the scope of the original contract. See Appendix B at the end of this report for copies of the Kiosk Original Order and Change Order Documents.

Criteria

Per the Agency Procurement and Surplus Property Manual (APSPM) Section 3.5, no fixed-price contract may be increased by more than 25 percent of the original amounts of the contract or \$50,000, whichever is greater, without the advance written approval of the Governor or his designee. Additionally, required general terms and conditions for goods and nonprofessional services listed in the APSPM states that “[a]ny additional goods or services to be provided shall be of a sort that is ancillary to the contract goods or services, or within the same broad product or service categories as were included in the contract award.”

Consequence

DCR expended state funds in violation of state procurement laws, and may have received inferior goods at an unreasonable price. In addition, other vendors were not given the opportunity to compete for contracts with the Commonwealth. Additionally, Annex 4-H of the APSPM lists “[...] change orders - adding new items, significant change in scope of work[...]” as a waste and abuse warning symptom.

Cause

DCR management did not follow proper procurement policies.

Recommendation

DCR should implement policies and procedures that ensure their procurement actions are in compliance with the APSPM.

Maintain All Required Procurement Documentation

Finding Number: Procurement-02

Compliance
Internal Controls

Condition

DCR's only available documentation related to the change order processed on November 30, 2011, is a four page purchase order for additional goods. There is no documentation supporting why these goods were procured from this vendor, how the decision was made, how the price was determined to be reasonable, or why DCR chose to bypass the requirement for DGS pre-approval of change orders over 25 percent.

Criteria

Per APSPM Section 10.3, a complete file should be maintained in one place for each purchase transaction, containing all the information necessary to understand the why, who, what, when, where and how of the transaction.

Consequence

DCR is unable to provide documents that ensure the proper expenditure of state funds and that the procurement actions were reasonable.

Cause

DCR did not maintain adequate documentation to support its procurement actions, which is a violation of APSPM requirements.

Recommendation

DCR should implement policies and procedures that ensure their procurement actions are in compliance with the APSPM. Specifically, DCR should maintain all appropriate procurement files as required by the APSPM.

Enforce Contract Provisions

Finding Number: Procurement-03

Compliance
Internal ControlsCondition

DCR's contractor is using DCR in its promotional materials, on its website, and in other advertising, specifically naming DCR as a customer; and DCR has no evidence that they have ever attempted to enforce the "Advertising" provision of their contract.

Criteria

Per the Special Contract Provisions between DCR and its contractor, "In the event a contract is awarded for supplies, equipment or services resulting from this bid, no indication of such sales or services to DCR will be used in product literature or advertising. The contractor shall not state in any of its advertising or product literature that DCR has purchased or uses and of its products of services, and the contractor shall not include DCR in any client list in advertising and promotional materials."

Consequence

DCR's name and its state park purchases with the vendor are being used on the vendor's site for promotion and the vendor is using DCR in its marketing materials that are used in proposals for additional contracts.

Cause

DCR did not attempt to enforce the special conditions of an active contract.

Recommendation

DCR should ensure that its contract administrators are monitoring contractors and in their performance for proper adherence to all contract specifications. If a vendor is using DCR in its advertising in violation of an existing contract, DCR should require the contractor to cease and desist in these contract violations.

Ensure Proposal Evaluation Committees Properly Document Procurement Decisions

Finding Number: Procurement-04

Compliance
Internal Controls

Condition

DCR does not have documentation supporting how their proposal evaluation committee members evaluated each proposal's strengths and weaknesses. There are only score sheets with a number score assigned to each vendor, but there is no analysis that explains how the scores were assigned.

Criteria

Per APSPM 7.4c, "once evaluation and negotiations have been completed with selected offeror, the agency must prepare a written narrative summarizing the rationale for the ratings that are developed for each proposal negotiated. The summary shall address the merits of the proposal relative to the evaluation rating."

Consequence

DCR does not have documentation to support their purchasing decisions or to evaluate the fairness of the procurement decisions.

Cause

DCR does not maintain proper procurement documentation, and does not follow purchasing policies and procedures that are required by the APSPM.

Recommendation

DCR should implement policies and procedures to ensure that their procurement actions are in compliance with the APSPM. Specifically, DCR should ensure that procurement committees properly document their justification for proposal selection and maintain all appropriate procurement files as required by the APSPM.

Restrict the Use of Request for Proposal to Appropriate Situations

Finding Number: Procurement-05

Compliance
Internal Controls

Condition

DCR initiated a Request For Proposals (RFP), when an Invitation For Bids (IFB) should have been used. The goods that were sought were a direct replacement of existing products in state parks. DCR's RFP described the detailed hardware components of the existing goods in great detail. The RFP described the request as "continued operation of [the items] currently operating at Virginia State Parks" This indicates that DCR already knew the goods and nonprofessional services they intended to purchase and; therefore, did not need to seek proposals.

Criteria

Per the APSPM, Invitations for Bids is the preferred method for acquiring goods, printing, non-capital outlay construction, and nonprofessional services for public use when the estimated cost is over \$100,000. On the other hand, a Request For Proposal describes in general terms the requirement, the factors that will be used to evaluate the proposal, and special conditions including unique capabilities or qualifications that will be required by the contractor.

Consequence

DCR expended state funds in violation of state procurement laws and may have received inferior goods at an unreasonable price.

Cause

DCR does not follow purchasing policies and procedures that are required by the APSPM.

Recommendation

DCR should implement policies and procedures that their procurement policies and actions are in compliance with the APSPM.

Maintain Required Documentation Justifying Use of Competitive Negotiation

Finding Number: Procurement-06

Compliance
Internal Controls

Condition

Per DCR Memo dated October 4, 2010, DCR chose to use Competitive Negotiation over Sealed Bidding for procuring state park goods in order to evaluate (1) the Offeror's experience and (2) creative approach. Neither of these reasons are allowable per the APSPM for the use of Competitive Negotiation, Request For Proposal, over the preferred Competitive Sealed Bidding, Invitation For Bids. Based on the Request For Proposals, DCR was seeking a proposal for the "continued operation of [the goods] currently operating at Virginia State Parks", there is no mention of a creative approach in the RFP. Experience can be evaluated using Competitive Negotiation and Competitive Sealed Bidding.

Criteria

Per APSPM Section 7.2: "Upon a determination made in advance by the public body and set forth in writing that competitive sealed bidding is either not practicable or not fiscally advantageous to the public, goods, services, or insurance may be procured by competitive negotiation (Code of Virginia, § 2.2-4303C). The writing shall document the basis for this determination. This document must be signed by the agency head or his/her designee, and be retained in the purchase file."

Consequence

DCR expended state funds in violation of state procurement laws and may have received inferior goods at an unreasonable price.

Cause

DCR does not follow purchasing policies and procedures that are required by the APSPM.

Recommendation

DCR should implement policies and procedures to ensure that their procurement actions are in compliance with the APSPM.

Department of General Services Review

Correct Procurement Issues Identified by the Department of General Services

Finding Number: DGS-01

Compliance
Internal Controls

Condition

The Department of General Services' Procurement Management Review, dated June 17, 2013, evaluated DCR's procurement function and identified 18 areas in which DCR did not comply with the Agency Procurement and Surplus Property Manual. See Appendix C at the end of this report for a brief description of the points in the DGS review.

Criteria

State agencies must maintain compliance with all guidelines set forth in the DGS APSPM.

Consequence

DCR may be obtaining low quality goods and services at unreasonable costs. There is also an increased risk of fraudulent and unauthorized purchases.

Cause

Per DCR, management did not appropriately assess and address the needs of the procurement department to ensure that the department was efficiently meeting state procurement regulations.

Recommendation

Management must ensure that the procurement department has the resources available to address items detailed in the DGS review. Management should also ensure that the procurement department is provided with adequate resources to ensure continuing compliance with all state procurement regulations and the APSPM.

Update IT Risk Assessment to Comply with VITA Standards

Finding Number: IT-01

Compliance
Internal Controls

Condition

DCR's IT Risk Assessment is dated March 1, 2008, and is based on outdated ITRM Standard SEC501-01. The Commonwealth currently uses ITRM Standard SEC501-08, and DCR's policies were non-compliant as of July 1, 2008.

Criteria

ITRM Standard SEC501-08 requires the agency to develop, disseminate, and review/update at least once a year: a formal, documented risk assessment policy.

Consequence

The IT Risk Assessment is the foundation of the Information Security Policy that addresses purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance. Failure to perform a risk assessment will inhibit the development of a comprehensive information security policy.

Cause

DCR has not dedicated adequate resources to the development and maintenance of IT Risk Management policies.

Recommendation

Management should dedicate adequate resources to ensure that the agency IT Risk Assessment is updated to comply with the current ITRM Standards and is reviewed annually as required.

Develop Comprehensive Business Impact Analysis

Finding Number: IT-02

Compliance
Internal Controls

Condition

DCR has no comprehensive Business Impact Analysis (BIA) documentation.

Criteria

Per ITRM Standard SEC501-08, agencies must develop a BIA that delineates the steps necessary for agencies to identify their business functions, identify those agency business functions that are essential to an agency's mission, and identify the resources that are required to support these essential agency business functions.

Consequence

The IT information documented in the BIA report is a primary input to IT System and Data Sensitivity Classification, Risk Assessment Contingency Plan and System Security Plan. Without a BIA, the development of these other critical documents is compromised.

Cause

DCR's management has not dedicated adequate resources to the development and maintenance of IT Risk Management policies.

Recommendation

Management should dedicate adequate resources to ensure that the agency has a BIA. Once completed management should keep it updated to comply with current ITRM Standards.

Complete Agency Continuity Plan

Finding Number: IT-03

Compliance
Internal Controls

Condition

The agency's Continuity Plan is not complete. Specifically, the Mission Essential and Primary Business Function Analyses are listed as "Under Development" in the current version of the document.

Criteria

Per ITRM Standard SEC501-08 the organization must develop, disseminate, and review/update at least once a year: a. A formal, documented contingency planning policy that addresses purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance; and b. Formal, documented procedures to facilitate the implementation of the contingency planning policy and associated contingency planning controls.

Consequence

Contingency planning for information systems is part of an overall organizational program for achieving continuity of operations for mission critical operations. Failure to develop a Continuity Plan weakens the agency's ability to perform critical functions in the event of an emergency or disaster.

Cause

The Continuity Plan is based on the results of the BIA and IT Risk Assessment which have not been completed. The agency has not dedicated adequate resources to the development and maintenance of IT Risk Management policies.

Recommendation

Management should dedicate adequate resources to ensure that the agency Continuity Plan complies with current ITRM Standards and is updated as required.

Document IT Backup and Recovery Policies

Finding Number: IT-04

Compliance
Internal Controls

Condition

The agency does not have any documented IT Backup and Recovery policies. DCR uses services of VITA in this area, but has no policies that define the responsibilities of each party.

Criteria

Per ITRM Standard SEC501-08 requirement CP-9, for every IT system identified as sensitive, each agency shall or shall require that its service provider implement backup and restoration plans to support restoration of systems, data and applications in accordance with agency requirements.

Consequence

Failure to document IT Backup and Recovery policies could jeopardize the agency's ability to recover from disasters.

Cause

Per DCR, these responsibilities are handled by VITA and they do not believe that they need any policies or documentation in this area.

Recommendation

DCR should develop a comprehensive Backup and Recovery Plan in accordance with ITRM Standard SEC501-08 that reflects the nature of DCR's relationship with VITA and delineates each entity's responsibility for IT backup and restoration.

Ensure IDSS User Access Forms are Used Consistently

Finding Number: IT-05

Compliance
Internal Controls

Condition

Per DCR, the agency's designated user access request form for the IDSS system is not used consistently.

Criteria

Per ITRM Standard SEC501-08, the agency should require documentation of system access requests and approval by the Data Owner to establish accounts for all sensitive IT systems.

Consequence

Without consistent documentation of user access requests, there is not sufficient evidence to support the level of access granted to each user. Also, failure to require the approval of the system Data Owner prevents a reasonable review of access before it is granted by those responsible for the system ownership.

Cause

Per DCR, the system security officers do not always require the use of a user access form for critical systems.

Recommendation

Management should require that access to all systems are supported by a user access request form and that any access authorized is reasonable given the employees responsibilities and follows the principle of least privileges.

Implement Periodic Review of User Access to IDSS

Finding Number: IT-06

Compliance
Internal Controls

Condition

Per DCR, there is no policy or process for reviewing user access to its Integrated Decision Support System (IDSS) to ensure that access is reasonable.

Criteria

Per ITRM Standard SEC501-08, access to information systems should be reviewed at least annually.

Consequence

A lack of a review of access to critical systems increases the risk of improper system access and increases the risk of unauthorized transactions in the system.

Cause

Management did not develop access review policies and no access review was performed.

Recommendation

Management should implement policies and procedures that require a review of access to IT systems by the system owners at least annually.

Ensure Internal Auditor is Not Performing IT Management Functions

Finding Number: IT-07

Compliance
Internal Controls

Condition

The Internal Auditor at DCR is also listed as the agency's Deputy Information Security Officer. The Internal Auditor is involved in the development of most IT policies, and is the security officer, or back-up security officer for several agency IT systems. These responsibilities impair the Internal Auditor's independence in conducting objective IT audits.

Criteria

Per ITRM Standard SEC501-08, IT Security Audits should only be performed by independent parties who are not associated with the processes or procedures of the system.

Consequence

The Internal Auditor at DCR is not independent from the IT systems that he is required to audit per ITRM Standard SEC501-08.

Cause

Per DCR, the Internal Auditor has been required to assume the responsibility for management functions over time as staffing issues persisted in different parts of the agency.

Recommendation

DCR management should evaluate all of the responsibilities that have been assigned to the Internal Auditor and remove all responsibilities that should be performed by agency management. DCR must reassign and possibly dedicate new resources to performing these tasks elsewhere in the agency.

Perform IT Security Audit of the AgBMP System

Finding Number: IT-08

Compliance
Internal Controls

Condition

The Agricultural Best Management Practices (AgBMP) system has not received a required IT Security audit in the last three years.

Criteria

Per ITRM Standard SEC502-02.2, IT systems that contain sensitive data, or reside in a system with a sensitivity of high on any of the criteria of confidentiality, integrity, or availability, shall be audited at least once every three years.

Consequence

Failure to audit sensitive IT systems prevents the agency from assessing the adequacy of IT system controls and compliance with established IT security policies and procedures.

Cause

Per DCR, the Internal Auditor has been required by management to assume other responsibilities that prevented the audits from being completed timely. In addition, DCR's internal auditor is no longer completely independent from DCR IT functions.

Recommendation

DCR management should evaluate all of the responsibilities that have been given to the internal auditor and remove all responsibilities that should be performed by agency management. DCR should also develop a workable plan that will allow the IT Security audits to be performed timely by independent and objective parties.

Update Information Technology Policies

Finding Number: IT-09

Compliance
Internal Controls

Condition

DCR's Information Technology Policies are out of date. Specifically, 19 out of 26 policies available to agency employees on the DCR Intranet are over ten years old. Some policies, such as those related to Tape Drives and Microcomputers are obsolete and are over 20 years old.

Criteria

Per ITRM Standard SEC501-08, the ISO is responsible for developing and maintaining the agency's information security program.

Consequence

Outdated and obsolete user policies detract from the agency's overall information security program. In addition, agency employees do not have reasonable IT guidelines to follow in the performance of their duties.

Cause

DCR allowed their policies to become outdated and in many cases they no longer are relevant to the IT environment at DCR.

Recommendation

DCR should dedicate resources to updating their IT user policies in accordance with current standards and ensure they are adequately maintained by IT management.

Require eVA Security Officer to Obtain Security Training

Finding Number: eVA-01

Compliance
Internal ControlsCondition

The eVA Security Officer for DCR has no documentation of completing the required eVA Security Administrator Training.

Criteria

The eVA Electronic Procurement System Security Standards require an agency's eVA Security Officers to complete eVA Security training and the associated test prior to obtaining advanced level security privileges.

Consequence

Lack of proper training may result in the Security Officer lacking the knowledge required to appropriately function in their role. Improper employees may gain eVA access and improper eVA roles may be assigned to employees.

Cause

Per DCR, there is uncertainty as to whether the training was completed or not. No documentation was found showing that it was completed.

Recommendation

DCR's eVA Security Officer should complete eVA Security Administrator Training and retain documentation of completion.

Promptly Deactivate Access for Separated Employees

Finding Number: eVA-02

Compliance
Internal Controls

Condition

DCR has not promptly deactivated eVA access for employees that have been separated or received a change of duties. Two employees had their access deactivated approximately four months after receiving a change of duties. Three other employees had their access removed two weeks, two months, and 5 months after separation, respectively.

Criteria

eVA Electronic Procurement System Security Standards require access to eVA to be deactivated in case of separation of the employee, transfer, or a change of duties.

Consequence

Former and current employees can still make requisitions through eVA until DCR terminates their access.

Cause

DCR has not properly evaluated employee separations to ensure that eVA access is terminated when the employee no longer requires the access.

Recommendation

DCR should develop controls necessary to ensure that they are promptly removing employees' eVA access.

Remove eVA Access for Inactive Employees

Finding Number: eVA-03

Compliance
Internal ControlsCondition

Employees who do not regularly access eVA continue to have access. Amongst these, several employees who have not accessed eVA in over five years continue to have access.

Criteria

eVA Electronic Procurement System Security Standards require access to eVA to be deactivated when the requirement no longer exists. The Entity eVA Security Officer may deactivate Access to eVA when the account has not been accessed for more than 90 days.

Consequence

DCR is not in compliance with DGS standards and DCR is utilizing unnecessary resources in monitoring employees who do not use eVA. In addition, eVA users that are not regularly using their access may not recognize if their accounts were compromised.

Cause

The majority of employees with eVA access are purchase cardholders. As noted in Management Point SPCC - 05, SPCC Cardholders have been circumventing traditional procurement methods, including eVA. Therefore, a large number of cardholders were granted eVA access with the belief that they would use their purchase card through eVA, but have not done so. These cardholders have maintained eVA access despite the fact that they do not use it.

Recommendation

DCR should reevaluate eVA access in the agency to ensure that employees indeed require eVA access. As stated in SPCC - 05, management should ensure that purchase cardholders use eVA appropriately and if eVA access is not required of them, removal of their access should be considered.

Update eVA Security Plan

Finding Number: eVA-04

Compliance
Internal Controls

Condition

DCR's current eVA Security Plan was prepared in 2008 and, as a result, aspects of the plan are outdated. For example, the backup security officer listed on the plan is no longer with the agency.

Criteria

eVA Electronic Procurement System Security Standards require the Entity eVA Security Officer to develop and submit for approval an Entity eVA Security Plan. The security plan will contain, at a minimum, the following: names of the primary and backup security officers, statement of actions to be taken to manage user accounts, statement describing the security awareness program, statements governing auditing of user accounts, and a statement that you will not grant prohibited applications to users.

Consequence

DGS is unaware as to the current state of DCR's eVA security procedures and may be unable to identify flaws in the procedures.

Cause

Management has not dedicated adequate resources to the eVA Security Plan.

Recommendation

eVA Security Officer should update the eVA Security Plan and submit the plan for approval by the eVA Global Security Officer.

Maintain Signed eVA Acceptable Use Agreement for all eVA Users

Finding Number: eVA-05

Compliance
Internal ControlsCondition

The eVA Security Manager did not have an Acceptable Use Agreement for one of the ten employees reviewed.

Criteria

eVA Electronic Procurement System Security Standards require a signed Acceptable Use Agreement (electronic or paper) to be submitted to and maintained by the Entity eVA Security Officer.

Consequence

Employees accessing eVA without reading the agreement may not be aware of their responsibilities when using eVA and may commit inappropriate actions. The agency has less recourse to take corrective action when employees use eVA improperly and have not signed an agreement.

Cause

DCR has not taken measures to ensure that all employee Acceptable Use Agreements are completed and maintained.

Recommendation

DCR should take appropriate measures to ensure that all agreements are completed and maintained as required by eVA Electronic Procurement System Security Standards.

Update Human Resource Policies and Procedures

Finding Number: HR-01

Compliance
Internal ControlsCondition

DCR lacks emergency closing policies. Additionally, Human Resources' internal policies and procedures have not been revised to reflect current Department of Human Resource Management (DHRM) requirements. DCR's outdated policies and procedures include, but are not limited to: employee standards of conduct, harassment, and leave.

Criteria

Per the DHRM's Policies and Procedures Manual, agencies should provide employees with access to new or revised human resources policies in a timely manner. The agency is required to have internal policies for emergency closings, teleworking, workplace violence, and return-to-work that comply with current DHRM policies. In addition, the agency is permitted to develop other internal HR policies but they must also comply with respective DHRM policies.

Consequence

DCR employees do not have appropriate human resource policies to refer to in determining appropriate behavior and procedures for interacting with other employees and properly utilizing benefits afforded to employees in a variety of circumstances.

Cause

Per DCR, management did not take appropriate action to ensure that human resource policies were updated to comply with all DHRM policies. In addition, per DCR, understaffing in its Human Resources Department contributed to these policies being outdated.

Recommendation

Management should designate appropriate resources to ensure that DCR policies are in compliance with current DHRM policies.

Complete Employee Performance Evaluations Timely

Finding Number: HR-02

Compliance
Internal ControlsCondition

DCR did not provide several employees with 2013 performance evaluation by the October 24, 2013, due date. As of the date of our review, for some of these employees, DCR has not yet provided them with a performance evaluation for 2013. The last performance review for these employees was 2012.

Criteria

Per DHRM Policy Number 1.40, employees who have completed a full 12-month performance cycle (October 25 through the next October 24) must have performance evaluations completed by October 24, but not before August 10.

Consequence

Untimely evaluation of employee performance may lead to employees being unaware of the appropriate actions they should be taking in order to best complete the duties assigned to them. In particular, underperforming employees being unaware of any subpar work may be causing the agency to function less efficiently. Additionally, untimely performance evaluations may result in management not having appropriate justification for statewide pay increases.

Cause

Per DCR, management has not taken the appropriate measures to ensure that the divisions complete employee performance evaluations in a timely manner. In addition, per DCR, understaffing throughout various levels of the agency increases the difficulty of completing evaluations timely.

Recommendation

Management and Human Resources should allocate appropriate resources to ensure that each division completes performance evaluations in a timely manner.

Complete Employee Work Profiles Timely

Finding Number: HR-03

Compliance
Internal ControlsCondition

For several employees, DCR did not complete a 2013-2014 Employee Work Profile (EWP) by November 24, 2013. Among these, there were various instances of employees who's EWPs had not been updated since 2012 and one EWP had not been updated since 2011.

Criteria

Per DHRM Policy Number 1.40, performance plans should be presented within 30 days of the beginning of the performance cycle. Auditor reviewed employees whose performance cycle began on October 24th. Therefore, these employees should have an employee work profile completed by November 24th.

Consequence

Lack of updated employee work profiles for a new performance cycle may result in employees lacking knowledge of duties assigned to them or in the performance of duties that are no longer their responsibility. This can result in a loss of worker productivity and accountability.

Cause

Per DCR, management has not taken the appropriate measures to ensure that the individual divisions complete employee work profiles in a timely manner. In addition, per DCR, understaffing throughout various levels of the agency increases the difficulty of completing EWPs timely.

Recommendation

Management and Human Resources should allocate appropriate resources to ensure that each division completes EWPs in a timely manner.

Statements of Economic Interest

Ensure Designated Employees File Statements of Economic Interest Timely

Finding Number: SOEI-01

Compliance
Internal Controls

Condition

One of the forty DCR employees required to file a Statement of Economic Interest form with the Secretary of the Commonwealth did not complete their filing. Additionally, DCR did not take action in regards to this employee not filing and the employee remained in his designated position despite not filing the appropriate disclosure.

Criteria

Per the Code of Virginia § 2.2-3114, “[...] persons occupying such offices or positions of trust or employment in state government [...] as may be designated by the Governor shall file, as a condition to assuming office or employment, a disclosure statement of their personal interests and such other information as is specified on the form set forth in § 2.2-3117 and thereafter shall file such a statement annually on or before January 15.”

Consequence

DCR has an employee in a "position of trust" that has not fulfilled their statutory requirement to disclose any conflicts of interest related to his position.

Cause

DCR has no policies or procedures that require monitoring the timely submission of Statements of Economic Interest by employees in designated positions. Per DCR, this responsibility is not assigned to anyone in the agency.

Recommendation

DCR should develop policies and procedures that ensure that employees are complying with the disclosure requirements in the Code of Virginia § 2.2-3114. DCR should also determine if employees who fail to disclose their economic interests properly should be permitted to remain in their "positions of trust" in absence of proper disclosure.

Ensure Employees Complete Conflict of Interest Act Training Timely

Finding Number: SOEI-02

Compliance
Internal Controls

Condition

At the time of the audit, DCR did not know which employees had or had not completed the Virginia State and Local Government Conflict of Interests Act (COI) Training timely. At least thirty-one of the forty DCR employees in "positions of trust" as designated by the Governor, did not complete the training as required.

Criteria

Code of Virginia § 2.2-3130. Attendance requirements. 1. For a state filer who holds a position with the agency on January 1, 2004, not later than December 31, 2004 and, thereafter, at least once during each consecutive period of two calendar years commencing on January 1, 2006. 2. For a person who becomes a state filer with the agency after January 1, 2004, within two months after he or she becomes a state filer and at least once during each consecutive period of two calendar years commencing on the first odd-numbered year thereafter.

Consequence

DCR employees are not receiving necessary training regarding the State and Local Government Conflict of Interests Act. The Act is intended to assure the public that the judgment of public officers and employees is guided by laws that define and prohibit inappropriate conflicts and require disclosure of economic interests.

Cause

DCR has no policies or procedures that require monitoring the timely completion of State and Local Government Conflict of Interests Act training. Per DCR, this responsibility is not assigned to anyone in the agency.

Recommendation

DCR should require employees who are delinquent in completing their COI training to do so promptly in order to satisfy their statutory requirements. DCR should also develop policies and procedures that ensure that employees are completing the State and Local Government Conflict of Interests Act training timely going forward.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

June 2, 2014

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
and Review Commission

We have audited the Virginia Department of Conservation and Recreation and are pleased to submit our report entitled **Special Review of the Department of Conservation and Recreation**. 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.

Exit Conference and Report Distribution

We discussed this report with management on June 2, 2014. 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

GDS/clj

APPENDIX A

RESULTS OF THE FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)

REVIEW DATED NOVEMBER 23, 2013

On November 23, 2013, DCR received a final report from FEMA regarding the results of a federal monitoring visit that took place from August 14, 2013, through September 30, 2013. The report resulted in findings of significant deficiencies in internal control at DCR. A summary of the significant findings is below:

1. Financial Management System does not account for expenses and internal controls.
2. FEMA staff could not validate that DCR had fiscal controls in place which permits tracking of funds to the lowest entity and segregation of funds.
3. FEMA staff confirmed that DCR lacks effective internal controls and accountability for all grants.
4. Program staff and financial staff do not communicate and both cannot determine what is being charged to the grants that were reviewed.
5. There is no interface with DCR's internal Financial Management System (FMS) and the Commonwealth Accounting and Reporting System (CARS).
6. There was no policy that outlines how DCR program and financial staff would work together in managing the grant effectively.
7. Source expenditure documentation submitted could not be validated. FEMA considers these (\$269,373.63) expenditures as questioned costs.
8. DCR did not submit the Quarterly Federal Financial Reports (SF-425) timely and the data reported was often times inaccurate for the past six quarters.
9. There is a lack of documentation, and the recipient match amounts could be not verified for CAP-SSSE Funding.
10. Official program files were not set up at the time of the site visit. The award files must be set up by award year and grant number.
11. Federal Funding Accountability and Transparency Act (FFATA) reporting could not be verified.
12. DCR needs grants training for both program and financial staff. It is apparent that the grantee (DCR) has some challenges with the administrative requirements of grants administration.

APPENDIX B

KIOSK ORIGINAL ORDER AND CHANGE ORDER DOCUMENTS

Original Order Dated February 10, 2011

ITEM	QUANTITY	UNIT OF MEASURE	UNIT PRICE	AMOUNT
1	5	YEAR	\$20,000.00	\$100,000.00
		WEB CONTENT MANAGEMENT SERVICE, HOSTING AND BLOGWARE		
2	5	YEAR	\$10,000.00	\$50,000.00
		HARDWARE MAINTENANCE		
3	5	YEAR	\$40,000.00	\$200,000.00
		KIOSK SOFTWARE CONTENT MAINTENANCE AND ASSOCIATED SERVICES		
4	33	EACH	\$13,500.00	\$445,500.00
		REPLACEMENT KIOSKS (11/YEAR IN 2011, 2012 & 2013)		
		TOTAL AMOUNT:		\$795,500.00

Change Order Dated November 30, 2011

ITEM	QUANTITY	UNIT OF MEASURE	UNIT PRICE	AMOUNT
+5	+5350	EACH	+\$1.00	+\$5,350.00
	QR CODE GENERATION AND PUBLISHING. ALL TRAIL MAP URLS WILL HAVE QR CODES GENERATED AND INSERTED ON THE KIOSK AND VIRGINIA OUTDOORS WEBSITE. COMPLETE BY 10/31/11			
+6	+25650	EACH	+\$1.00	+\$25,650.00
	PUBLISHING VIRTUAL TOUR TRAIL VIDEOS TO YOUTUBE. ALL OF THE EXISTING VIDEOS ON THE KIOSK AND VIRGINIA OUTDOORS WEBSITE HAVE BEEN DEVELOPED USING FLASH. APPLE PRODUCTS WILL NOT SUPPORT FLASH. ALL VIDEOS WILL BE CONVERTED AND UPLOADED TO YOUTUBE WHICH IS UNIVERSALLY READABLE. COMPLETE BY 6/30/12			
+7	+50375	EACH	+\$1.00	+\$50,375.00
	REAL TIME CALENDAR. THE EVENTS DATABASE MAINTAINED BY PARKS IS SENT MANUALLY MONTHLY TO THE KIOSK. THIS PROJECT WILL CONVERT THE DATABASE TO A REAL TIME UPDATABLE CALENDAR FOR USE ON THE KIOSK, VIRGINIA OUTDOORS AND ANY OTHER PLATFORM LIKE THE VIRGINIA STATE PARKS APP. COMPLETE BY 6/30/12			
+8	+9875	EACH	+\$1.00	+\$9,875.00
	DESTINATION SPECIFIC ALERT MESSAGING SERVICES. THIS ENHANCEMENT WILL ALLOW PARKS TO RUN A TICKER LINE ON THEIR KIOSK AND ANY OTHER ELECTRONIC DEVICE TO PROMOTE SPECIFIC PROGRAMS OR ANNOUNCEMENTS FOR THEIR PARK. COMPLETE BY 6/30/12			
ITEM	QUANTITY	UNIT OF MEASURE	UNIT PRICE	AMOUNT
+9	+100650	EACH	+\$1.00	+\$100,650.00
	AUGMENTED EXPORT TO KIOSK PROCESS. THIS MAJOR PROJECT WILL ENABLE A HYBRID REAL TIME WEB CONNECTION FOR KIOSKS THAT HAVE A RELIABLE INTERNET CONNECTION. IT IS HYBRID BECAUSE IT DOES NOT DEPEND ON THE INTERNET TO SUPPLY CONTENT SO IF THE INTERNET ACCESS IS LOST, THE MOST RECENTLY AVAILABLE CONTENT WILL STILL BE AVAILABLE. BASICALLY THE SYSTEM WILL FACILITATE CONSTANT CHECKING FOR UPDATES VIA INTERNET ACCESS, MAKING THE KIOSK DATA MOSTLY REAL TIME. PARKS WITHOUT RELIABLE INTERNET ACCESS CAN STILL UPDATE MANUALLY. COMPLETE BY 6/30/12			
+10	+25125	EACH	+\$1.00	+\$25,125.00
	DEVELOP PORTABLE KIOSK. PARKS WILL PROCURE SPECIFIED EQUIPMENT BUT THIS ENHANCEMENT WILL ALLOW A VERSION OF THE KIOSK TO RUN ON A PORTABLE COMPUTER SYSTEM TO BE USED AT SPECIAL EVENTS AWAY FROM THE PARK. COMPLETE BY 3/31/12			
+11	+7500	EACH	+\$1.00	+\$7,500.00
	CREATE A CUSTOM RSS WIDGET BASED ON TAGGED RELEVANCY. THIS ENHANCEMENT WILL ENABLE SUBSCRIBERS TO FEATURE VIRGINIA OUTDOOR CONTENT ON THEIR WEBSITES CATERED TO THE PARKS AND OR ACTIVITIES THEY ARE INTERESTED IN. FOR EXAMPLE, THE HORSE COUNCIL COULD SELECT TO SHOW CONTENT ONLY DEALING WITH HORSEBACK RIDING, THE CITY OF FARMVILLE COULD SELECT CONTENT ONLY DEALING WITH TWIN LAKES, HIGH BRIDGE TRAIL AND SAILOR'S CREEK. COMPLETE BY 10/31/11			

ITEM	QUANTITY	UNIT OF MEASURE	UNIT PRICE	AMOUNT
+12	+13965	EACH	+\$1.00	+\$13,965.00
	75 DAYS OF SUMMER PROMOTION. ENABLE DAILY CONTEST ENTRY AND MANAGEMENT OF DAILY WINNERS FOR 87 DAYS OF CONTESTS. COMPLETE BY 10/31/11			
+13	+4500	EACH	+\$1.00	+\$4,500.00
	PHOTO CONTEST DEVELOPMENT. DEVELOP PHOTO CONTEST ENTRY WITH ADULT AND YOUTH CONTESTS IN 5 CATEGORIES ALONG WITH A PROCESS FOR THE JUDGING PANEL TO VIEW ENTRIES. COMPLETE BY 10/31/11			
+14	+10000	EACH	+\$1.00	+\$10,000.00
	BACKYARD CLASSROOM MULTIMEDIA DEVELOPMENT. SHOOT VIDEO OF ENVIRONMENTAL AND CULTURAL EDUCATIONAL PROGRAMMING AND EDIT INTO VIDEOS THAT CAN BE USED BY TEACHERS AND HOMESCHOOLING PARENTS. COMPLETE BY 3/31/12			
+15	+5100	EACH	+\$1.00	+\$5,100.00
	HIGH RESOLUTION SURVEILLANCE OSPREY CAMERA. VSP TO PROCURE SPECIFIED EQUIPMENT. THIS ENHANCEMENT WILL DEVELOP REAL TIME VIEWING CAPABILITY ON LINE FOR THE SMITH MOUNTAIN LAKE OSPREY NECK THAT CAN ALSO BE UTILIZED AT OTHER PARKS AND LOCATIONS IN THE FUTURE. COMPLETE BY 3/31/12			
+16	+45150	EACH	+\$1.00	+\$45,150.00
	VIRTUAL STORY TELLER EXHIBIT FOR LAKE ANNA STATE PARK VISITOR CENTER. THE FRIENDS OF LAKE ANNA WILL PROVIDE THE EQUIPMENT FOR THIS PROJECT. THIS ENHANCEMENT WILL UTILIZE THE STORYTELLER SYSTEM DEVELOPED FOR SAILOR'S CREEK AND SOUTHWEST VIRGINIA MUSEUM. THIS INCLUDES WRITING AND PRODUCING THE SCRIPT, SHOOTING THE VIDEO AND PRODUCING USING THE HOLOGRAPHIC TECHNOLOGY. COMPLETE BY 6/30/12			
ITEM	QUANTITY	UNIT OF MEASURE	UNIT PRICE	AMOUNT
+17	+15000	EACH	+\$1.00	+\$15,000.00
	VIDEO WALL ACQUISITION AND DEVELOPMENT. VSP WILL PROCURE SPECIFIED EQUIPMENT FOR THIS PROJECT. THIS ENHANCEMENT WILL INCLUDE SHOOTING VIDEO AND CREATING A THREE PANEL HIGH RESOLUTION DISPLAY THAT MOVES ACROSS THE PANELS. WILL BE USED IN THE LAKE ANNA STATE PARK VISITOR CENTER. COMPLETE BY 6/30/12			
TOTAL AMOUNT CHANGED:				\$318,240.00

APPENDIX C

RESULTS OF THE DEPARTMENT OF GENERAL SERVICES (DGS)

REVIEW DATED JUNE 17, 2013

The Department of General Services (DGS) conducted a review of DCR's procurement function and issued the DGS Procurement Management Review, dated June 17, 2013, detailing the results. Of the 193 procurement transactions tested, 193 (56 percent) had issues of noncompliance with the Agency Procurement and Surplus Manual (APSPM). As a result DGS issued the 18 points outlined below. Sections of the APSPM that address the noncompliance are noted in parentheses.

Noncompliance Findings:

- 1) No Evidence of Set-Aside for Procurements Up to \$50K or Justification (APSPM 3.10g)
- 2) No Evidence of Single Quotations (APSPM 5.3a)
- 3) Orders Not Processed Through eVA (APSPM 14.9a)
- 4) Violation of Mandatory Requirements for Purchases From Virginia Correctional Enterprises and Virginia Distribution Center (APSPM 2.1b and 2.1e)
- 5) No Evidence of Competition or Sole Source Documentation (APSPM 5.6b and 8.1)
- 6) No Evidence of Vendor's Insurance (APSPM 4.14)
- 7) No Evidence of Negotiation (APSPM 7.3b)
- 8) Quick Quote Not Used Over \$5,000 to \$100,000 (APSPM 14.5e)
- 9) No Evidence of Price Reasonableness Determination (APSPM 4.10)
- 10) No Written Determination for Emergency Procurement (APSPM 9.3)
- 11) Improve Documentation of Files (APSPM 3.8)
- 12) Quick Quote Not Issued as Set-Aside (APSPM 3.10g.(2))
- 13) Set-Aside Quick Quote Not Awarded to DMBE-Certified Small Business (APSPM 5.6)

Operational Recommendations:

- 14) Train End Users with Delegated Purchasing Authority
- 15) Update 2007 Policies and Procedures Manual
- 16) Modify the Small Purchase Charge Card Log to Assist Users with Requirements
- 17) Seek More DMBE-Certified Small Businesses
- 18) Assess Procurement Staffing Needs



COMMONWEALTH of VIRGINIA
DEPARTMENT OF CONSERVATION AND RECREATION

600 East Main Street, 24th Floor
Richmond, Virginia 23219
(804) 786-6124

June 4, 2014

Ms. Martha S. Mavredes
The Auditor of Public Accounts
P. O. Box 1295
Richmond, Virginia 23218

Dear Ms. Mavredes:

We appreciate the opportunity to respond to the Auditor of Public Accounts (APA) report on the special review of the Department of Conservation and Recreation (DCR), which was initiated at the request of the Virginia Senate Finance Committee. As the report well documents, your initial meeting with DCR management revealed that the interim director and his staff reported to APA that they themselves had significant concerns over internal controls and compliance agency-wide.

Over the past several weeks, we have enjoyed having your staff on-site to review and document these many concerns, leading to the 93 findings of internal control weaknesses and areas of non-compliance contained in your report. I want to commend your staff for their professionalism and dedication in working with DCR staff to ensure that no stone was left unturned during your review.

Not only do we concur with all findings contained in the report, but as you know we have already begun taking action to correct many of the issues identified. Our Corrective Action Plan is anchored by a complete change in our fiscal management staff and structure. We have sought and will continue to receive assistance from other state agencies on specific issues identified in the review. We will have a detailed Corrective Action Plan finalized by the end of this month that will ensure the full implementation of all 93 recommendations in a timely manner.

We are committed to getting our fiscal affairs in order and look forward to the opportunity when the APA returns next year to evaluate our progress in correcting these many deficiencies.

Sincerely,

A handwritten signature in blue ink that reads "Clyde E. Cristman".
Clyde E. Cristman

*State Parks • Soil and Water Conservation • Outdoor Recreation Planning
Natural Heritage • Dam Safety and Floodplain Management • Land Conservation*

Department of Conservation and Recreation
(as of June 2014)

Director
Clyde Cristman

Deputy of Administration
Vacant

Interim Deputy Director of Operations
Joe Elton

Acting Controller
Sharon Partee

Human Resources Director
Roberta Hudgins-Turner

Information Technology Manager
Mike Harrell

Acting Procurement Manager
Sherry Walsh

Internal Auditor
Eric Surratt