



# DIVISION OF SELECTED AGENCY SUPPORT SERVICES

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2015

Auditor of Public Accounts  
Martha S. Mavredes, CPA  
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## AUDIT SUMMARY

Our audit of the Division of Selected Agency Support Services in the Office of the Secretary of Administration for the fiscal year ended June 30, 2015, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System and Cardinal;
- a matter involving internal control and its operation necessary to bring to management's attention; and
- an instance of noncompliance with applicable laws and regulations or other matters that is required to be reported.

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## AUDIT FINDINGS AND RECOMMENDATIONS

### Improve Controls over myVRS Navigator System

*This finding is a repeat from fiscal year 2014; however, due to the timing of when the finding was communicated, the Division of Selected Agency Support Services (DSAS) did not have sufficient time to implement corrective action within the current fiscal year 2015 audit period. Based on discussions with the DSAS personnel it appears that corrective action is being taken to develop and implement controls that will be tested for effectiveness during the fiscal year 2016 audit.*

DSAS does not have adequate controls in place to ensure that retirement information for employees is accurate. Specifically, DSAS has not developed procedures to consistently reconcile its human resource system (PMIS) and payroll system (CIPPS) to the retirement system (*myVRS Navigator*) or to retain evidence of those procedures.

Prior to performing the Snapshot certification, DSAS is not documenting its reconciliation between PMIS, CIPPS and *myVRS Navigator*. DSAS is also not consistently reviewing the PMIS Cancelled Record Report generated within *myVRS Navigator* and correcting any discrepancies timely.

After the Snapshot has been certified, the Department of Accounts (Accounts) performs the automated reconciliation process to calculate the differences between the contributions captured by the payroll system (CIPPS) and expected contributions calculated by *myVRS Navigator*. Accounts then processes an interagency transfer for the differences between what DSAS confirmed in *myVRS Navigator* and the retirement contributions withheld and paid by the agency. The differences are then generated into reports (U Reports) that separate the exceptions by type for further investigation by the agency. DSAS is reviewing the U Report exceptions as part of the post certification review process; however, it is not clearing the exceptions in a timely manner.

The Commonwealth Accounting Policies and Procedures (CAPP) Manual requires agencies to reconcile VRS contributions monthly. The Modernization Communication Content correspondence to PMIS agencies states, “It is very important that you (the agency) coordinate changes in PMIS, CIPPS, and *myVRS Navigator* so they remain in sync. This ensures that CIPPS and *myVRS Navigator* calculate your (the agency) monthly contributions accurately. It also reduces the number of items needing reconciliation each month.”

Department of Accounts Payroll Bulletin guidance (Volume 2013-02), indicates agencies should review the PMIS Cancelled Record Report produced by VRS and correct these items before certifying the Snapshot. Additionally, the bulletin states that agencies should review the U Report exceptions and contact the appropriate entity to ensure that PMIS and/or *myVRS Navigator* is corrected and the following month’s monthly Contribution Snapshot should have the appropriate retroactive adjustment included in the current billing amounts.

Since DSAS does not have a consistent process in place to reconcile CIPPS and *myVRS Navigator* prior to confirming the Snapshot, individual employees’ retirement calculations and

contributions may be incorrect. Without reviewing the PMIS Cancelled Records Report, DSAS is unaware when information does not transmit correctly between PMIS and *myVRS Navigator*; therefore, DSAS cannot make appropriate corrections timely when data conflicts during the PMIS to *myVRS Navigator* interface. Not confirming the Contribution Snapshots in a timely manner delays Accounts from performing the automated reconciliation process. Additionally, not correcting the Accounts' Automated Reconciliation Exceptions within the U Reports in a timely manner results in recurring errors over the course of months and in some cases years in which incorrect data causes agency overpayments and underpayments related to retirement billings and ultimately increases the retroactive adjustments required in the form of the interagency transfers.

The primary reason for the deficiencies noted is that statewide guidance has prescribed best practice controls, but in some circumstances does not reach the level of detail to explain how specifically each control should be performed and documented. In the absence of detailed statewide guidance, agencies should develop internal procedures to ensure the required statewide controls are consistently and sufficiently performed. Additionally, since the *myVRS Navigator* implementation occurred within recent fiscal years, DSAS has experienced some interface issues and additional system glitches that have increased the time it takes to correct U Report exceptions. Also, in the period under audit, DSAS had limited resources due to Cardinal implementation which required staff training and the change in administration resulted in increased employee related payroll activity and exceptions.

DSAS should develop and implement adequate controls and procedures to ensure that retirement information for employees is accurate in PMIS, CIPPS, and *myVRS Navigator*. The controls and procedures developed should at a minimum:

- Establish the level of support that should be retained for the monthly reconciliation of each system (pre and post certification);
- Ensure the pre Snapshot reconciliation between CIPPS and *myVRS Navigator* is completed;
- Ensure a download and review of the PMIS Cancelled Records Report is completed and that all exceptions are cleared prior to confirming the *myVRS Navigator* data monthly by the imposed deadline; and
- Require timely correction of exceptions noted in the Accounts Automated Reconciliation "U" reports.

## AGENCY HIGHLIGHTS

This report includes the financial activity of the agencies below. The Secretary of Administration's Division of Selected Agency Support Services provides administrative support for these agencies.

Secretary of the Commonwealth  
Virginia-Israel Advisory Board

Citizens' Advisory Council  
Interstate Organization Contributions

The Division also keeps financial records for the Offices of the Governor and Lieutenant Governor and the Governor's Cabinet Secretaries. We issue separate reports on these entities.

### **Secretary of the Commonwealth**

The Secretary of the Commonwealth performs the following duties:

- Serves as custodian of the Governor's official records;
- Handles services of process on some defendants in civil actions, processes extraditions, and restores civil rights;
- Registers and regulates lobbyists;
- Appoints and regulates notaries public;
- Researches and coordinates recommendations for gubernatorial appointments to boards and commissions;
- Compiles and publishes the Report on the Secretary of the Commonwealth;
- Maintains conflict of interest statements filed by state officials; and
- Maintains the Governor's Executive Journal and papers.

The Secretary's Office primarily receives General Fund appropriations. In fiscal year 2015, the Secretary's Office also received funding through the Commonwealth's Technology Trust Fund to provide for technology improvements to improve tracking of notary process fees, service of process fees, and various other fees. The Technology Trust Fund receives \$10 of the total \$45 fee the Secretary assesses when commissioning notaries public. The Secretary collects and deposits the rest of the fees directly in the General Fund of the Commonwealth. Fee collections for all revenue sources totaled approximately \$3 million in fiscal year 2015.

The following tables summarize the budget and expenses for the Secretary's Office in fiscal year 2015. The table also shows the Technology Trust Fund appropriation for fiscal year 2015, funded by the \$10 technology fee discussed above. The Technology Trust Fund appropriation was used for system enhancements to the Customer Relationship Management System. The table below does not include the remaining fee collections since they are not available to the Secretary to fund operations.

### Budget Analysis for Fiscal Year 2015

Funding source:	Original Budget	Final Budget	Actual Expenses
General Fund appropriations	\$2,086,432	\$2,219,690	\$2,077,273
Technology Trust Fund appropriations	-	85,800	85,800
<b>Total</b>	<b>\$2,086,432</b>	<b>\$2,305,490</b>	<b>\$2,163,073</b>

### Expenses for Fiscal Year 2015

Personal services	\$1,432,845
Contractual services	552,163
Continuous charges	147,468
Supplies and materials	20,401
Transfer payments	8,997
Equipment	1,199
<b>Total</b>	<b>\$2,163,073</b>

### Virginia-Israel Advisory Board

The Virginia-Israel Advisory Board provides advice to the Governor on ways to improve economic and cultural links between the Commonwealth and the State of Israel, with a focus on the areas of commerce and trade, art and education, and general government. No members of the Board receive compensation for their services. The Board does not receive an original appropriation each year, but receives funding through a transfer from the Economic Development Incentive Payments Agency. The following tables summarize the budget and expenses for the Board in fiscal year 2015.

### Budget Analysis for Fiscal Year 2015

Funding source:	Original Budget	Final Budget	Actual Expenses
General Fund appropriations	\$ -	\$204,227	\$202,789

### Expenses for Fiscal Year 2015

Personal services	\$147,528
Contractual services	47,855
Supplies and materials	3,635
Continuous charges	3,629
Transfer payments	142
<b>Total</b>	<b>\$202,789</b>

## **Citizens' Advisory Council**

The Citizens' Advisory Council (Council) on Furnishing and Interpreting the Executive Mansion is an advisory council in the executive branch of state government and operates as a nonprofit charitable organization. The Council does not receive an original appropriation as its funding consists of carryover balances from the previous year. Effective fiscal year 2013, the Council no longer receives private donations as a funding source. All donations are centralized and solicited by the Virginia Capitol Foundation. Receipts from the Capitol Foundation are deposited into the account of the Council with the Treasurer of Virginia.

The Council had a carryover balance of approximately of approximately \$76,597 from fiscal year 2014 and the Virginia Capitol Foundation collected \$2,958 in donations to provide for the structural preservation of the Executive Mansion and the restoration of its contents. The following tables summarize the budget and expenses for the Council in fiscal year 2015.

### **Budget Analysis for Fiscal Year 2015**

<b>Funding source:</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Expenses</b>
Special revenue	\$ -	\$76,597	\$46,644

### **Expenses for Fiscal Year 2015**

Contractual services	\$46,114
Supplies and materials	530
<b>Total</b>	<b>\$46,644</b>

## **Interstate Organization Contributions**

Interstate Organization Contributions are memberships to the National Governor's Association and other national organizations paid with General Funds. The only expenses are the Commonwealth's dues to the national organizations. The following table summarizes the budget and expenses in fiscal year 2015.

### **Budget Analysis for Fiscal Year 2015**

<b>Funding source:</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Expenses</b>
General Fund appropriations	\$190,937	\$190,937	\$190,937





# Commonwealth of Virginia

*Auditor of Public Accounts*

Martha S. Mavredes, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

June 7, 2016

The Honorable Terence R. McAuliffe  
Governor of Virginia

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

We have audited the financial records and operations of the **Secretary of Administration's Division of Selected Agency Support Services** for the year ended June 30, 2015. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Audit Objectives**

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System and Cardinal, review the adequacy of the Division's internal controls, test compliance with applicable laws, regulations, contracts, and grant agreements, and review corrective actions of audit findings from prior year reports. The Division transitioned to using Cardinal, the Commonwealth's new accounting and financial reporting system, on October 1, 2014.

## **Audit Scope and Methodology**

The Division's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Expenses, including payroll  
Revenues  
Appropriations  
Small purchase charge card  
At-will employee leave

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

### **Conclusions**

We found that the agencies properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and Cardinal. The Division records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

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

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

### **Exit Conference and Report Distribution**

We discussed this report with management on June 14, 2015. Management's response to the findings identified in our audit is included in the section titled "Agency Response." We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

ZLB/clj



# **COMMONWEALTH of VIRGINIA**

**Office of the Governor  
Richmond 23219**

Secretary of Administration  
Division of Selected Agency  
Support Services

June 15, 2016

Martha S. Mavredes, CPA  
Auditor of Public Accounts  
P.O. Box 1295  
Richmond, VA 23218

Dear Ms. Mavredes:

We have reviewed your report on our audit for the year ended June 30, 2015, which identified internal controls and compliance matters.

We agree with and respect the findings. As noted in the report, because of a timing issue this Division could not implement the necessary changes to our internal controls and policies to address the prior year's finding. However, and again as noted, we have communicated to the APA that the issues relative to this finding have been resolved.

We appreciate the efforts of the audit team, and the constructive advice offered to us throughout the process.

Sincere Regards,

A handwritten signature in blue ink, reading "Dennis M. Johnson".

Dennis M. Johnson  
Director, Division of Selected Agency Support Services

## AGENCY OFFICIALS

Division of Selected Agency Support Services  
As of June 30, 2015

Levar M. Stoney  
Secretary of the Commonwealth

Ralph Robbins  
Executive Director, Virginia-Israel Advisory Board

Paul J. Regan  
Chief of Staff, Interstate Organization Contributions

Dennis M. Johnson  
Director, Division of Selected Agency Support Services