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**EXECUTIVE SUMMARY**

**Virginia Correctional Enterprises**

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**SUMMARY OF REPORTS ISSUED**

July 9, 1999

The Honorable Richard Holland, Chairman  
and  
Members, Joint Legislative Audit and Review Commission  
General Assembly Building  
Capitol Square  
Richmond, Virginia 23219

This transmits our quarterly summary of reports issued for the period April 1, 1999 through June 30, 1999.

The *Executive Summary* includes reports that may be of special interest to the members of the Commission. We have included a report in the summary for the sole purpose of bringing to your attention matters of significance. These summaries do not include all findings within a report or all reports with findings.

The *Summary of Reports Issued* lists all reports released during the quarter and shows reports that have audit findings.

We will be happy to provide you, at your request, any reports in their entirety. We welcome any comments concerning this report or its contents.

Sincerely,

Walter J. Kucharski  
Auditor of Public Accounts

WJK:aom

# VIRGINIA CORRECTIONAL ENTERPRISES

## AUDIT SUMMARY

In fiscal year 1998, Virginia Correctional Enterprises (VCE) experienced record sales and earned a net income of \$524,425. As a result, VCE significantly improved its financial condition by increasing its cash reserves, materially reducing accounts payable, and repaying its \$1 million line of credit with the State Treasurer.

The primary purpose of our audit was to follow-up on the material weaknesses noted in the prior report. Overall, we found VCE had begun making progress, although limited in some areas, toward correcting the major weaknesses in its operations. Specifically, we found the following:

- The Secretary of Public Safety formed a task force to review VCE's operations and make recommendations for improving its efficiency and profitability. The Task Force submitted a formal report to the Secretary in September 1998 outlining its findings and recommendations. As a result of the Task Force recommendations, the Department of Corrections formed a committee to develop a new mission statement for VCE and created a Chief Operating Officer position at VCE. VCE is filling the position. The Secretary also sent a policy analyst to VCE to review its operations. However, at the time of this report, the policy analyst's recommendations have not been completed.
- VCE has two conflicting missions. The Secretary of Public Safety, the Department of Corrections, and VCE need to formally decide how VCE will operate in relation to the requirements to be self-sufficient and to maximize inmate training and work opportunities.
- VCE terminated all of its joint venture contracts during fiscal year 1999, which has helped VCE stabilize its financial condition. However, VCE has experienced difficulties collecting outstanding receivables from some of its terminated joint venture partnerships and Prison Industry Enhancement programs. Morton Marks and Sons, one of VCE's joint venture partners, filed for bankruptcy in September 1998. At that time, they owed VCE \$1.6 million. Approximately \$800,000 of the past due receivables have been collected through the Commonwealth's Debt Set-Off program. However, the Department of Corrections has yet to transfer these funds to VCE. In order to avoid similar problems with future private industry partnerships, VCE has developed procedures for approving and monitoring new partnerships.
- VCE's critical systems are not Year 2000 compliant. Despite assurance provided by the vendor that SYMIX was Year 2000 compliant, through testing of the system, VCE determined it was not compliant. VCE determined its operating system and relational database engine were not Year 2000 compliant, as well. VCE completed the upgrade of its operating system in April 1999. VCE is in the process of obtaining the upgrade tapes for SYMIX and its relational database engine. VCE risks the possibility of the disruption of operations due to system limitations if it does not upgrade its systems by fiscal year 2000.
- VCE prepared an initial strategic business plan. However, the plan lacks some of the necessary elements to ensure that VCE will maintain its financial position, take advantage

of opportunities available as new correctional facilities open, and market its products in an increasingly competitive environment.

## **VIRGINIA DEPARTMENT OF CRIMINAL JUSTICE SERVICES**

### Trust Funds

The Department has two trust funds with large accumulated cash balances as of June 30, 1998. The *Intensified Drug Enforcement Fund* cash balance at June 30, 1998 is over \$5 million and should increase to almost \$9 million over the next three years. The fund uses fees collected by courts to help localities start drug enforcement programs. The Department's budget for the next three years decreases amounts allocated to these programs, although fee collection should remain constant.

Over the past two years, the *Crime Victims Trust Fund* has built up a cash balance of almost \$7 million. This is due, in part, to \$5 million in additional federal funding that was available in fiscal 1998. This fund uses fees collected by courts to provide victim assistance services, such as protection and financial assistance. The Department anticipates using some of this balance over the next several years as federal funds decrease and locality demand increases.

### Division of Forensic Science Caseloads

The Division of Forensic Science (DFS) has backlogs in forensic case testing. As of December 31, 1998, there were over 6,000 forensic cases waiting to be tested, half of which were over a month old. Management has taken steps to attempt to reduce the backlog of forensic cases. DFS has requested and received additional positions over the last several years; however, staff turnover and the lack of qualified applicants hinder resolving the backlog. DFS examiners try to improve efficiency by reducing testing of duplicate pieces of evidence and concentrating on the most conclusive pieces of evidence. The Division also has periods of compensated overtime for its examiners to help reduce case backlogs. The Division's goal is a 30-day turnaround on forensic cases.

DFS has also not been able to keep current with its DNA testing of convicted felons. As of December 31, 1998, the Division had received approximately 180,000 DNA samples for testing, but has only tested 30,000, leaving 150,000 untested samples. Management has taken steps to address this by increasing DNA personnel and updating DNA testing methods to increase their testing capacity. In addition, DFS contracted with an outside vendor to perform DNA analysis on some of the samples. DFS estimates they will eliminate the backlog of untested samples by 2001.

## **CLERK OF THE CIRCUIT COURT OF HANOVER COUNTY**

### Properly Manage and Supervise Court Operations

The Clerk does not properly manage court operations and supervise court employees. The Clerk has delegated almost all of his duties to his staff, but the Clerk has not provided them appropriate training and does not adequately supervise them to ensure they perform their duties properly. The Clerk does not have written procedures detailing each employee's responsibilities, inform staff of changes to the financial system or fees, nor cross-train his employees. Neither the Clerk nor any of the employees review the daily financial and accounts receivable reports. Our audit revealed poor trust fund and accounts receivable management, missing case files, improper fee assessments, unsupported transactions, and undisbursed liabilities.

The report includes specific findings in the following areas: Accounts Receivable, Liabilities, Computer Access, Trust Fund, and Wills and Administrations.

## **SUMMARY OF REPORTS ISSUED**

The following reports on audit were released by this Office during the period April 1, 1999 through June 30, 1999. Those reports which included findings in the area of internal controls or compliance are indicated by an (\*) asterisk.

### **State Agencies and Institutions**

#### **Judicial Branch**

Public Defender Commission For the Year Ended July 1, 1996 to December 31, 1998

#### **Executive Departments**

##### **Administration**

Department of General Services For the Year Ended June 30, 1998\*

Department of Veterans' Affairs For the Years Ended June 30, 1998 and 1997

##### **Commerce and Trade**

Department of Labor and Industry For the Year Ended June 30, 1998

Department of Minority Business Enterprise For the Year Ended June 30, 1998\*

Department of Agriculture and Consumer Services For the Year June 30, 1998

Department of Professional and Occupational Regulation For the Year June 30, 1998

##### **Education**

Federal Land Payments For the Period October 1, 1997 Through September 30, 1998

Virginia Commission for the Arts For the Period July 1, 1997 Through December 31, 1998

The Library of Virginia For the Period July 1, 1997 Through December 31, 1998\*

##### **Colleges and Universities**

George Mason University For the Year Ended June 30, 1998\*

George Mason University, Intercollegiate Athletic Program For the Year Ended June 30, 1998

Norfolk State University, Intercollegiate Athletic Program For the Year Ended June 30, 1998

Old Dominion University, Intercollegiate Athletic Program For the Year Ended June 30, 1998

## **Health and Human Resources**

Agencies Serving Virginians with Disabilities For the Year Ended June 30, 1998  
Governor's Employment and Training Department For the Year Ended June 30, 1998  
Department of Social Services For the Year Ended June 30, 1998\*

## **Natural Resources**

Chesapeake Bay Local Assistance Department For the Year Ended June 30, 1998  
Department of Conservation and Recreation For the Year Ended June 30, 1998\*  
Department of Environmental Quality For the Year Ended June 30, 1998  
Department of Historic Resources For the Year Ended June 30, 1998  
Potomac River Fisheries Commission For the Year Ended June 30, 1998

## **Public Safety**

Department of Corrections, Virginia Correctional As of April 21, 1999\*  
Virginia Department of Criminal Justice Services For the Year Ended June 30, 1998\*

## **Technology**

Department of Information Technology For the Year Ended June 30, 1998

## **Transportation**

Department of Motor Vehicles For the Year Ended June 30, 1998\*

## **Clerks of the Circuit Courts**

### **Cities:**

City of Bristol For the Period July 1, 1997 Through June 30, 1998  
City of Buena For the Period July 1, 1997 Through June 30, 1998  
City of Chesapeake For the Period July 1, 1997 Through June 30, 1998\*  
City of Hopewell For the Period July 1, 1997 Through June 30, 1998  
City of Lynchburg For the Period July 1, 1997 Through June 30, 1998  
City of Roanoke For the Period July 1, 1997 Through June 30, 1998

City of Virginia Beach For the Period July 1, 1997 Through June 30, 1998

**Counties:**

County of Amherst For the Period July 1, 1997 Through June 30, 1998\*

County of Culpeper For the Period July 1, 1997 Through June 30, 1998

County of Floyd For the Period July 1, 1997 Through June 30, 1998

County of Franklin For the Period July 1, 1997 Through June 30, 1998

County of Hanover For the Period July 1, 1997 Through June 30, 1998\*

County of King & Queen For the Period July 1, 1997 Through June 30, 1998

County of Montgomery For the Period July 1, 1997 Through June 30, 1998

County of Scott For the Period July 1, 1997 Through June 30, 1998\*

**Commonwealth Revenues Collected by Constitutional Officers**

Collections of Commonwealth Revenues by Local Constitutional Officers Statewide Report  
For the Year Ended June 30, 1998\*

**General Receivers**

County of Dickenson For the Period July 1, 1996 Through June 30, 1998

County of Sussex For the Period July 1, 1996 Through June 30, 1998

County of Wise and City of Norton For the Period July 1, 1996 Through June 30, 1998