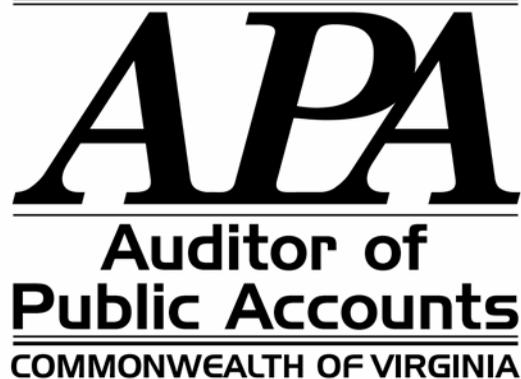


**REPORT TO THE
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION**

**FOR THE QUARTER
JULY 1, 2005 TO SEPTEMBER 30, 2005**



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Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

October 28, 2005

The Honorable Lacey E. Putney, 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 July 1, 2005 through September 30, 2005.

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 or you can find all reports listed in this document at our website <http://www.apa.state.va.us/reports.htm>. We welcome any comments concerning this report or its contents.

Sincerely,

Walter J. Kucharski
Auditor of Public Accounts

WJK:sks

EXECUTIVE SUMMARY

DEPARTMENT OF GENERAL SERVICES - eVA SECURITY REVIEW

We have completed a review of eVA security management, as it existed in January 2005. This review primarily addresses central security administration activities performed by General Services. We will address agency security administration activities during their individual audits.

Overall, we found that General Services has established strong policies and procedures, but there are areas for improvement over eVA security administration. We recommend that General Services:

- develop exception-based queries to analyze user access on a regular basis. General Services should communicate exceptions and their resolution to agency security officers;
- make monitoring tools available to agencies on-line so agencies can more efficiently and effectively meet their monitoring responsibilities;
- periodically assess agency security practices and their compliance with the eVA security manual; and
- provide formal security training to security officers on a regular basis and develop a formal strategy to increase security delegation to agencies.

General Services has stated their ultimate goal is to delegate advanced security administration functions to the agencies that have sufficient, qualified resources to fulfill these responsibilities. By improving each of these areas, General Services will move closer to their overall goal of delegating advanced security functions while ensuring the integrity of eVA.

VIRGINIA INFORMATION TECHNOLOGIES AGENCIES REVIEW OF SECURITY CONTROLS OVER INFORMATION TECHNOLOGY

The 2003 General Assembly created the Virginia Information Technologies Agency (VITA) to consolidate information technology efforts in the Commonwealth. One of VITA's main responsibilities is operation of information technology infrastructure for executive branch agencies and the Commonwealth's enterprise systems. Technology infrastructure includes hardware and its associated operating system and resides at VITA's data center and at customer agency locations.

VITA, as its former agency Department of Information Technology (DIT), already operated the Commonwealth's computer data center and the Infrastructure of the Commonwealth's enterprise systems. However, the responsibility for infrastructure residing at the executive agencies is new. This report reviews VITA's policies and procedures placed in operation as of July 15, 2005.

We found:

- VITA has not yet developed or implemented policies, procedures, or standards for information systems infrastructure. VITA is responsible for operating and providing security for most executive agencies, however, VITA employees are currently following customer agencies' policies and procedures. VITA has not reviewed or approved these agencies' policies, procedures, and standards, and therefore, does not know if they are sufficient to provide proper security;

- VITA has not completed updating Memorandum of Agreements (MOAs) with customer agencies that use the VITA server farm. Many MOAs were written before VITA's creation and do not reflect VITA's security responsibility. These MOAs are vague and do not clarify security responsibilities. Adding to the confusion, VITA does not maintain documentation for requests and approvals to variations from policy, procedures, and standards in the Windows environment of the server farm. In addition, VITA could not provide us with documentation for some variations in the UNIX environment of the server farm;
- VITA lacks documentation of policies, procedures, and standards for routers and firewalls located at the data center. Although these devices appeared to be configured securely at the time of our review, without policies, procedures, and standards, VITA cannot ensure that the configurations are consistent or that changes to configurations conform to management's required level of security; and
- VITA updated its Risk Assessment and Business Impact Analysis in June. These documents identify critical and confidential resources and their associated risks, but do not reflect VITA's responsibility for infrastructure outside of the data center. Without these documents, VITA cannot ensure controls are in place to reduce identified risks and cannot ensure that the business recovery plan is sufficient to restore critical operations.

LONGWOOD UNIVERSITY INTERIM REPORT ON THE FINANCIAL STATEMENT AUDIT

During the audit of fiscal year 2004 for Longwood University (University), we encountered problems in conducting our examination. Contributing to these problems were University vacancies and other personnel issues. In dealing with these problems, we have worked with University management and staff, and while we have not completed the audit for fiscal year 2004, we believe it is in the best interest of the University and the Commonwealth to provide an interim report of our findings so that management and the Board may begin to address these issues.

All of Virginia's colleges and universities experienced budget cuts during fiscal years 2002 through 2004 and many responded by reducing administrative positions. The University first reduced administrative costs and only reduced educational programs when absolutely necessary. In addition to the budget cuts, management experienced staff turnover, which was compounded by the excessive time spent finding and recruiting new staff and managers.

The University finds itself in the position of having to address three fundamental issues in order to move forward. The first is ensuring that daily operational functions such as revenue collection, payroll, vendor payments, and student billing are completed and properly recorded. Second, management will need to determine if it has sufficient resources to continue its system implementation efforts and where it should concentrate these efforts. Finally, how does the University systemically address the issue of preparing the information and other needed data for financial statements for fiscal year 2005 and then 2004.

Ensuring that daily operational functions are completed and properly recorded will provide integrity to the financial information. To achieve this management should conduct a review of all year end reconciliations and transactions for reasonableness and make any necessary adjustments, for example the

January 2005 \$6 million unrecorded deposit in the University's bank account, to the accounting system and/or CARS before month end close for fiscal year 2005. During the first few months of fiscal year 2006, management should define all daily, monthly, and annual processes to ensure the correct recording and budgeting authorization of all transactions. In addition, management must begin ensuring the continuity of completing all reconciliations, including a review by knowledgeable staff and posting of all necessary adjustments to the accounting system and/or CARS in a timely manner.

Once management is comfortable that the University can record, properly authorize, and reconcile all transactions timely, they will need to determine if there are sufficient resources to continue the University's system implementation efforts and where to concentrate their efforts. Management should determine the cost effectiveness of allocating resources to documenting policies and procedures for processes that use the current general ledger system or waiting to develop policies and procedures for the processes that will use the new general ledger system. The results of this decision will dictate the implementation schedule for the new accounting system. Management should consult with the system project manager and system vendor when making this decision.

After defining processes, ensuring they are working, and setting the direction and timetable for changes related to the system development effort, management needs to begin systematically reviewing and preparing the information necessary to produce the financial statements for fiscal year 2005 and then 2004. This process will need to strike a balance between maintaining current operations and the new system development effort. While this process is a major milestone in the University's plan to address these issues, these financial statements will not have the same long-term benefit to the University that having accurate current financial information and a new system will yield.

The report contains more details about our concerns.

DEPARTMENT OF SOCIAL SERVICES PUBLIC-PRIVATE PARTNERSHIP

The Department of Social Services is pursuing a public-private partnership to develop an integrated system for the delivery of their services. However, we have concerns that they do not have an adequate strategic plan that supports how they need to operate in the future and they should re-sequence the partnership initiative to wait until this is done.

We addressed deficiencies in their strategic plan in prior audit reports and have historically been critical of their ability to successfully design and develop new systems. In addition, the Joint Legislative Audit and Review Commission (JLARC) has been reviewing Social Services for the past year and plans to issue their report and recommendations in October 2005. We believe JLARC's in-depth analysis may support significant changes that Social Services needs to contemplate. Finally, Social Services is performing business process re-engineering simultaneously with the public-private partnership. We believe they should complete their re-engineering efforts first, so they can adequately describe to vendors how they plan to work in the future. Otherwise, we believe the public-private partnership vendors will not have sufficient information to develop sound detailed plans or may be constantly reacting to changes in processes.

We recommend that Social Services finishes their strategic planning process to include: analyzing and defining their role in the social service delivery process; determining how they should work and be structured; analyzing redundant eligibility processes and duplicate information; and defining their new organization. We further suggest that they consider JLARC's report, which may raise further concerns about Social Services' ability to adequately plan and manage a large-scale systems effort. Social Services should take caution and set a clear direction for their organization before continuing their plans for the public-private partnership.

INTERIM REPORT OF VIRGINIA STATE UNIVERSITY'S PROJECT NEW HORIZONS

Project New Horizons can have a successful implementation, on schedule, within budget and with the least disruption to daily operations, but it will require the University to address the staffing shortage with real solutions rather than shifting resources to temporarily patch the problem. Management must also require the Project Manager to manage the project according to an approved project plan. Finally, Management must ensure the Project Manager understands his authority over project team members and that he exercise this authority by holding members accountable for missed deadlines and deliverables. We believe the University can achieve successful completion of this project if they address the concerns described in this report.

We have been monitoring the University's progress in implementing their new Banner administrative systems. We found that the University has started executing work without an approved project plan and they are not monitoring actual progress against the plan. In addition, the project is not on time as some deliverables are at least two months behind schedule. University staffing shortages and the lack of accountability for completing work are the primary causes for the project delays. Continuing to miss deliverable deadlines and staffing shortages will impact the University's ability to meet their July 1, 2006 implementation schedule, resulting in increased costs.

Over the last year, the University has experienced significant employee turnover in several positions. The University has filled some of positions, but many others have remained vacant. This turnover has led to many new staff in key positions or increased staff workloads due to the positions that remain unfilled. Staffing shortages contributed to the Banner project's suspension in January 2005 and we have concerns that continued shortages will put the reactivated project at risk again.

SUMMARY OF REPORTS ISSUED

SUMMARY OF REPORTS ISSUED

The following reports on audit were released by this Office during the period July 1, 2005 through September 30, 2005. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

State Agencies and Institutions

Judicial Branch

Office of the Executive Secretary of the Supreme Court of Virginia, Clerk of the Supreme Court, Clerk of the Court of Appeals and the Judicial Inquiry and Review Commission July 1, 2001 through June 30, 2004

Executive Departments

Executive Offices

Office of the Attorney General and the Department of Law for the year ended June 30, 2005*
Office of the Governor for the year ended June 30, 2005
Office of the Lieutenant Governor for the year ended June 30, 2005
Governor's Cabinet Secretaries for the year ended June 30, 2005

Administration

Division of Selected Agency Support Services for the year ended June 30, 2005

Commerce and Trade

Department of Agriculture and Consumer Services for the period January 1, 2003 through June 30, 2004
Department of Mines, Minerals, and Energy for the three-year period ended June 30, 2004

Education

Longwood University Interim Report on the Financial Statement Audit for the year ended June 30, 2004*
Interim Report of Virginia State University's Project New Horizons, August 2005*

Independent Agencies

Virginia's A. L. Philpott Manufacturing Extension Partnership for the year ended June 30, 2004
State Corporation Commission for the year ended June 30, 2004*

Natural Resources

Virginia Museums for the fiscal year ended June 30, 2004*

Special Reports

Interim Review of the State Board of Election's Virginia Election and Registration Information System Project, June 2005

Department of General Services, eVA Security Review, June 2005*

Report to the Joint Legislative Audit and Review Commission for the quarter April 1, 2005 through June 30, 2005

Department of Medical Assistance Services Vulnerability Assessment and Network Penetration Test, August 2005*

Department of Social Services Public-Private Partnership, August 2005*

Virginia Information Technologies Agencies Review of Security Controls over Information Technology, August 2005*

Clerks of the Circuit Courts

Cities:

City of Colonial Heights Clerk of the Circuit Court for the period April 1, 2004 through June 30, 2005

City of Lynchburg Clerk of the Circuit Court for the period January 1, 2004 through June 30, 2005

Counties:

County of Albemarle Clerk of the Circuit Court for the period April 1, 2003 through March 31, 2005

County of Caroline Clerk of the Circuit Court for the period April 1, 2004 through March 31, 2005*

County of Charles City Clerk of the Circuit Court for the period January 1, 2004 through April 30, 2005*

County of Charles City Statement of Assets and Liabilities of Josie C. Hayes, the former Interim Clerk of the Circuit Court for the period May 1, 2005 through August 23, 2005*

County of Culpeper Clerk of the Circuit Court for the period April 1, 2003 through June 30, 2005*

County of Fluvanna Clerk of the Circuit Court for the period April 1, 2004 through June 30, 2005

County of Halifax Clerk of the Circuit Court for the period April 1, 2004 through March 31, 2005

County of Lee Clerk of the Circuit Court for the period January 1, 2004 through March 31, 2005

County of Loudoun Clerk of the Circuit Court for the period April 1, 2004 through June 30, 2005

County of Middlesex Clerk of the Circuit Court for the period April 1, 2004 through March 31, 2005

County of Montgomery Clerk of the Circuit Court for the period January 1, 2004 through March 31, 2005

County of Northampton Clerk of the Circuit Court for the period April 1, 2004 through March 31, 2005

County of Page Clerk of the Circuit Court for the period January 1, 2003 through March 31, 2005

County of Pittsylvania Clerk of the Circuit Court for the period January 1, 2004 through July 30, 2005

Clerk of the Circuit Court of the County of Prince George for the period April 1, 2004 through June 30, 2005

County of Richmond County Clerk of the Circuit Court for the period April 1, 2004 through June 30, 2005

County of Rockbridge Clerk of the Circuit Court for the period January 1, 2004 through March 31, 2005

County of Scott Clerk of the Circuit Court for the period January 1, 2004 through March 31, 2005

County of Smyth Clerk of the Circuit Court for the period April 1, 2004 through June 30, 2005*

County of Stafford Clerk of the Circuit Court for the period April 1, 2004 through March 31, 2005*

County of York Clerk of the Circuit Court for the period April 1, 2004 through June 30, 2005

General Receivers

Counties:

County of Buchanan General Receiver of the Circuit Court for the period July 1, 2003 through May 31, 2005

Treasurers

Cities:

City of Bedford State Account for the fiscal year ended June 30, 2005
City of Bristol State Account for the fiscal year ended June 30, 2005
City of Buena Vista State Account for the fiscal year ended June 30, 2005
City of Charlottesville State Account for the fiscal year ended June 30, 2005
City of Franklin State Account for the fiscal year ended June 30, 2005
City of Hampton State Account for the fiscal year ended June 30, 2005
City of Harrisonburg State Account for the fiscal year ended June 30, 2005
City of Hopewell State Account for the fiscal year ended June 30, 2005*
City of Lexington State Account for the fiscal year ended June 30, 2005
City of Martinsville State Account for the fiscal year ended June 30, 2005
City of Newport News State Account for the fiscal year ended June 30, 2005
City of Norfolk State Account for the fiscal year ended June 30, 2005
City of Norton State Account for the fiscal year ended June 30, 2005
City of Poquoson State Account for the fiscal year ended June 30, 2005
City of Portsmouth State Account for the fiscal year ended June 30, 2005
City of Radford State Account for the fiscal year ended June 30, 2005
City of Richmond State Account for the fiscal year ended June 30, 2005
City of Roanoke State Account for the fiscal year ended June 30, 2005
City of Salem State Account for the fiscal year ended June 30, 2005*
City of Staunton State Account for the fiscal year ended June 30, 2005
City of Suffolk State Account for the fiscal year ended June 30, 2005
City of Virginia Beach State Account for the fiscal year ended June 30, 2005
City of Winchester State Account for the fiscal year ended June 30, 2005*

Counties:

County of Accomack State Account for the fiscal year ended June 30, 2005
County of Alleghany State Account for the fiscal year ended June 30, 2005
County of Amelia State Account for the fiscal year ended June 30, 2005
County of Amherst State Account for the fiscal year ended June 30, 2005
County of Arlington State Account for the fiscal year ended June 30, 2005
County of Augusta State Account for the fiscal year ended June 30, 2005
County of Bath State Account for the fiscal year ended June 30, 2005
County of Bland State Account for the fiscal year ended June 30, 2005
County of Botetourt State Account for the fiscal year ended June 30, 2005
County of Brunswick State Account for the fiscal year ended June 30, 2005
County of Caroline State Account for the fiscal year ended June 30, 2005
County of Carroll State Account for the fiscal year ended June 30, 2005
County of Chesterfield State Account for the fiscal year ended June 30, 2005

County of Clarke State Account for the fiscal year ended June 30, 2005
County of Cumberland State Account for the fiscal year ended June 30, 2005
County of Dickenson State Account for the fiscal year ended June 30, 2005
County of Dinwiddie State Account for the fiscal year ended June 30, 2005
County of Fairfax State Account for the fiscal year ended June 30, 2005
County of Floyd State Account for the fiscal year ended June 30, 2005
County of Fluvanna State Account for the fiscal year ended June 30, 2005
County of Frederick State Account for the fiscal year ended June 30, 2005
County of Gloucester State Account for the fiscal year ended June 30, 2005
County of Goochland State Account for the fiscal year ended June 30, 2005
County of Grayson State Account for the fiscal year ended June 30, 2005
County of Greene State Account for the fiscal year ended June 30, 2005
County of Hanover State Account for the fiscal year ended June 30, 2005
County of Henrico State Account for the fiscal year ended June 30, 2005
County of Henry State Account for the fiscal year ended June 30, 2005
County of Highland State Account for the fiscal year ended June 30, 2005
County of King Queen State Account for the fiscal year ended June 30, 2005
County of King William State Account for the fiscal year ended June 30, 2005
County of Lancaster State Account for the fiscal year ended June 30, 2005
County of Lee State Account for the fiscal year ended June 30, 2005
County of Mathews State Account for the fiscal year ended June 30, 2005
County of Middlesex State Account for the fiscal year ended June 30, 2005
County of Montgomery State Account for the fiscal year ended June 30, 2005
County of Nottoway State Account for the fiscal year ended June 30, 2005
County of Orange State Account for the fiscal year ended June 30, 2005
County of Patrick State Account for the fiscal year ended June 30, 2005
County of Powhatan State Account for the fiscal year ended June 30, 2005
County of Prince George State Account for the fiscal year ended June 30, 2005
County of Prince William State Account for the fiscal year ended June 30, 2005
County of Pulaski State Account for the fiscal year ended June 30, 2005
County of Rappahannock State Account for the fiscal year ended June 30, 2005
County of Roanoke State Account for the fiscal year ended June 30, 2005
County of Rockbridge State Account for the fiscal year ended June 30, 2005
County of Rockingham State Account for the fiscal year ended June 30, 2005
County of Russell State Account for the fiscal year ended June 30, 2005
County of Scott State Account for the fiscal year ended June 30, 2005
County of Shenandoah State Account for the fiscal year ended June 30, 2005
County of Smyth State Account for the fiscal year ended June 30, 2005*
County of Southampton State Account for the fiscal year ended June 30, 2005*
County of Spotsylvania State Account for the fiscal year ended June 30, 2005
County of Surry State Account for the fiscal year ended June 30, 2005
County of Sussex State Account for the fiscal year ended June 30, 2005
County of Tazewell State Account for the fiscal year ended June 30, 2005
County of Warren State Account for the fiscal year ended June 30, 2005*
County of Washington State Account for the fiscal year ended June 30, 2005
County of Westmoreland State Account for the fiscal year ended June 30, 2005
County of Wise State Account for the fiscal year ended June 30, 2005
County of Wythe State Account for the fiscal year ended June 30, 2005
County of York State Account for the fiscal year ended June 30, 2005