



DEPARTMENT OF FORENSIC SCIENCE

REPORT ON AUDIT

FOR THE PERIOD

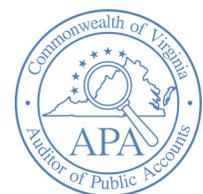
JULY 1, 2012 THROUGH JUNE 30, 2015

Auditor of Public Accounts

Martha S. Mavredes, CPA

www.apa.virginia.gov

(804) 225-3350



AUDIT SUMMARY

Our audit of the Department of Forensic Science (Forensic Science) for the period July 1, 2012, through 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.

-TABLE OF CONTENTS-

	<u>Pages</u>
AUDIT SUMMARY	
AUDIT FINDING AND RECOMMENDATION	1
AGENCY HIGHLIGHTS	2-3
INDEPENDENT AUDITOR'S REPORT	4-5
AGENCY RESPONSE	6
AGENCY OFFICIALS	7

AUDIT FINDING AND RECOMMENDATION

Enforce Adequate Segregation of Duties within Cardinal

For transactions occurring after the implementation of the Commonwealth's new accounting system Cardinal in October 2014, the Department of Forensic Science (Forensic Science) allowed the same user to enter and approve 143 of 179 journal entries. Forensic Science also allowed the same employee who was entering and approving journal entries to perform the required monthly Cardinal reconciliation without any additional review or approval before submission to the Department of Accounts.

The Commonwealth's Information Security Standard, SEC 501-08 AC-5, requires agencies to incorporate adequate segregation of duties within their system access and processes. Transactions which are entered and approved by the same user, with no additional review, represent violations of proper segregation of duties and increase the risk of errors or irregularities going undetected. While the underlying access roles within the Cardinal system allow users to have this ability, the agency is still responsible for ensuring that their significant processes incorporate adequate segregation of duties and mitigate risks created by the Cardinal access roles. Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 70220 - Cardinal Security also holds agencies responsible for ensuring they have implemented a comprehensive system of internal controls to protect the integrity of their financial data.

Forensic Science heavily relies on the use of journal entries created and approved by the same user to increase its efficiency in posting transactions. Forensic Science's lack of proper segregation of duties in the primary accounting system exposes the agency to an unnecessary risk of financial misstatement due to error. While the Cardinal reconciliation would normally act as a compensating control, the lack of review prevents it from being an effective control.

Forensic Science should evaluate its internal control structure over their journal entry process to assess and mitigate existing control weaknesses through proper segregation of duties, review and monitoring, and other appropriate controls.

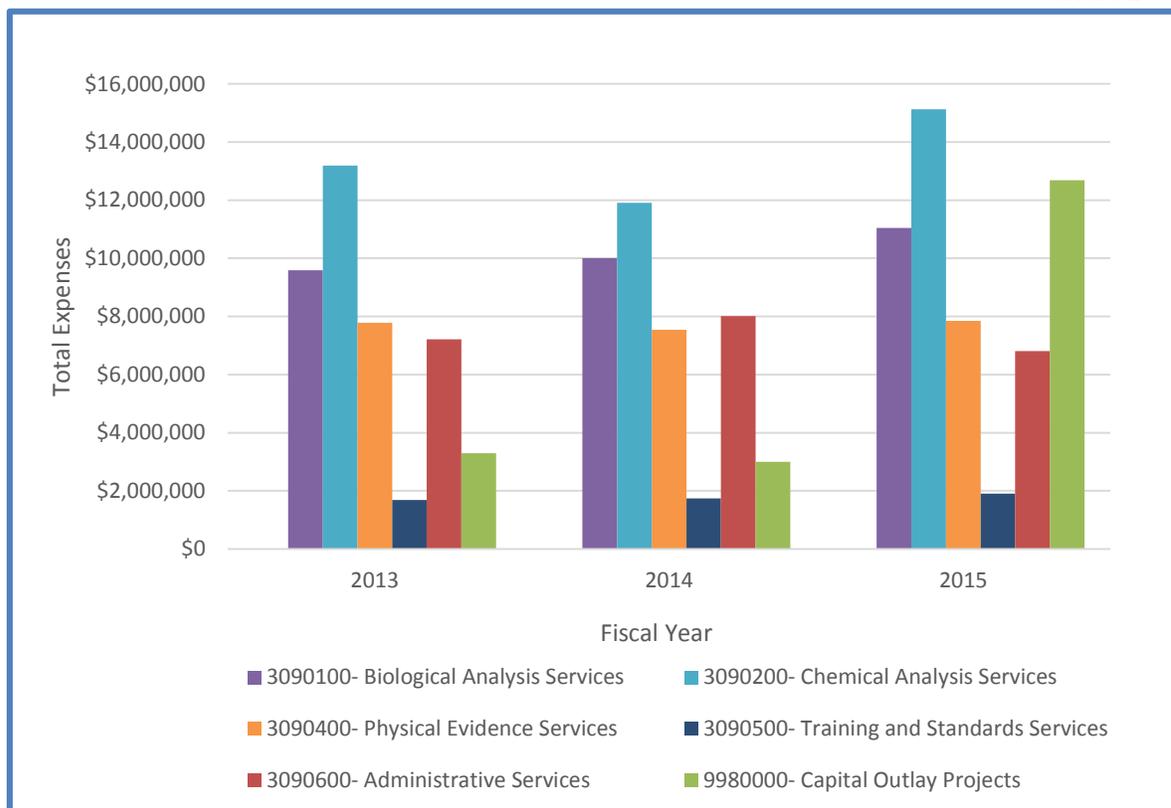
AGENCY HIGHLIGHTS

Forensic Science is a nationally accredited forensic laboratory system serving all state and local law enforcement agencies, medical examiners, and Commonwealth’s Attorneys in Virginia. Forensic Science examiners provide technical assistance and training, evaluate and analyze evidence, interpret results, and provide expert testimony related to the full spectrum of physical evidence recovered from crime scenes.

Forensic Science provides services from four state-owned facilities. The agency’s administrative operations and the central laboratory are in Richmond. The three regional laboratories are in Manassas, Roanoke, and Norfolk. Each laboratory shares its building with an Office of the Chief Medical Examiner. Currently, Forensic Science is undergoing renovation and expansion projects for the laboratories in Roanoke and Richmond. Major operations involve biological analysis services, chemical analysis services, physical evidence services, training and standards, and administrative services. The following table shows agency expenditures by program for fiscal years 2013 through 2015.

Department of Forensic Science – Expenditures by Program

Chart 1



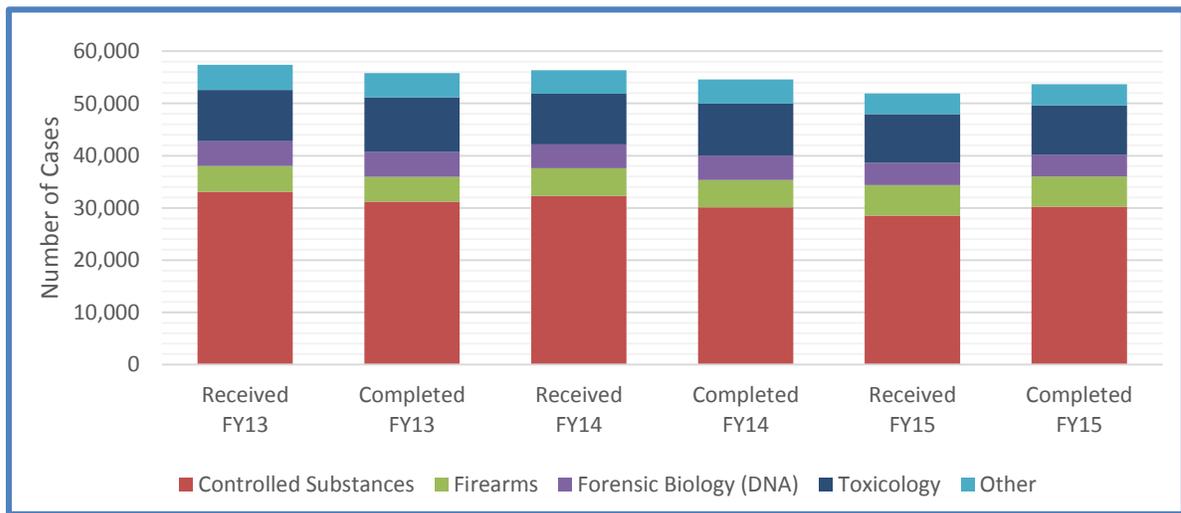
Source: Commonwealth Accounting and Reporting System

Forensic Cases

Forensic Science provides examination and analysis of crime scene evidence in the following disciplines: DNA and body fluid identification, controlled substances, toxicology, trace evidence, firearms/tool marks, latent prints, digital and multimedia evidence, and questioned documents. As indicated in the chart below, Forensic Science processes a majority of the cases it receives in any fiscal year. The number of cases received that were not completed was less than 20 percent of all cases received in each of the fiscal years under audit. The section labeled “Other” below includes the Latent Prints, Questioned Documents, and Trace Evidence Departments.

Caseload Statistics

Chart 2



Source: Workload Summary report from the Forensic Advantage System



Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

April 15, 2016

The Honorable Terence R. McAuliffe
Governor of Virginia

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

We have audited the financial records and operations of the **Department of Forensic Science** for the period July 1, 2012, through 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 Forensic Science's internal controls, and test compliance with applicable laws, regulations, contracts, and grant agreements. Forensic Science transitioned to using Cardinal, the Commonwealth's new accounting and financial reporting system, on October 1, 2014.

Audit Scope and Methodology

Forensic Science'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.

- Federal grant revenues and expenses
- Systems access
- Contractual services expenses
- Payroll and related expenses
- Small purchase charge card
- Equipment
- Contract procurement and management

We performed audit tests to determine whether Forensic Science’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 Forensic Science’s operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that Forensic Science properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and Cardinal. Forensic Science 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 and Cardinal.

We noted a matter involving internal control and its operation and compliance with applicable laws, regulations, contracts and grant agreements that requires management’s attention and corrective action. This matter is described in the section entitled “Audit Finding and Recommendation.”

Exit Conference and Report Distribution

We discussed this report with management on May 31, 2016. Management’s response to the finding 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

AVC/alh



COMMONWEALTH of VIRGINIA

DEPARTMENT OF FORENSIC SCIENCE

June 6, 2016

OFFICE OF THE DIRECTOR
A Nationally Accredited Laboratory

700 NORTH 5TH ST.
RICHMOND, VIRGINIA 23219
(804) 786-2281 FAX (804) 786-6857

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

Dear Ms. Mavredes:

This letter is in response to the management recommendation resulting from your audit of the financial records and operations of the Virginia Department of Forensic Science (DFS) for the period July 1, 2012 through June 30, 2015.

DFS accepts the audit finding regarding lack of segregation of duties for journal entries processed in Cardinal, the Commonwealth's new accounting system. Although DFS had other compensating controls in place, based on discussion with your audit staff, we concur that the best practice is to have separate individuals enter and approve journal entries and also to have the fiscal officer review and approve the monthly Cardinal reconciliation performed by the accountant. DFS has already implemented both of these practices and is in the process of formally updating its internal policies and procedures to reflect these changes.

We appreciate the diligent and professional work of the audit team. Please let me know if there is any additional information that our agency can provide.

Sincerely,

A handwritten signature in blue ink that reads "Linda C. Jackson".

Linda C. Jackson
Director

wwa

DEPARTMENT OF FORENSIC SCIENCE

Linda Jackson, Director

BOARD MEMBERS

The Honorable Vince Donoghue, Chairman

David A.C. Long, Esq., Vice Chairman

Francine C. Ecker

James F. Entas

Colonel W. Steven Flaherty

Kristen J. Howard

Jo Ann Given

William T. Gormley, M.D.

Karl R. Hade

Caroline D. Juran

Sheriff A. A. Lippa, Jr.

The Honorable Rick Morris

Alphonse Poklis, Ph.D.

The Honorable Claiborne Stokes