



# DIVISION OF SELECTED AGENCY SUPPORT SERVICES

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2014

Auditor of Public Accounts  
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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, 2014, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- matters 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 are required to be reported.

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## AUDIT FINDINGS AND RECOMMENDATIONS

### Improve Controls over Virginia Israel Advisory Board Travel Voucher Processing

The Division of Selected Agency Services (DSAS) and the Secretary of Commerce and Trade are not providing sufficient oversight over travel of the Virginia Israel Advisory Board (Board). DSAS serves as staff to the Board and processes Travel Expense Reimbursement Vouchers (Vouchers) in order to reimburse members of the Board for their travel expenses. The Board is not obtaining documented approval for trips prior to travel abroad. Additionally, the Board's voucher submissions do not list a clear purpose of travel for trips abroad and there is no estimate of the total cost of proposed overnight travel expected to exceed \$500 included with the voucher submission. Finally, there is no clear method of calculating the meals and incidental expense (M&IE) reimbursement that is consistent with the Commonwealth Accounting Policies and Procedures (CAPP) Manual.

DSAS processes the Board's plane ticket purchases abroad using a small purchase charge card in which the flight departure and return date typically span several months. The vouchers submitted claimed reimbursement for days in which the individual performed official state business during the time spent abroad. The method that the Board uses to calculate reimbursement rates consists of recording all actual expenses incurred over the months abroad and then dividing those expenses by the approved Foreign Per Diem Rates in U.S. dollars to estimate the number of days to request for reimbursement on the voucher. The vouchers listed dates that the employee performed official state business, which did not consistently trace directly to supporting documentation. DSAS reimbursed all travel expenses incurred related to official state business; however, the travel expense reimbursements were not calculated in a consistent manner or in compliance with the CAPP Manual.

The 2013 Virginia Acts of Assembly, Chapter 806 (Appropriations Act), Item 105M, states "The Virginia-Israel Advisory Board shall seek prior approval of all travel and related expenditures from the Secretary of Commerce and Trade." Topic 20335 of the CAPP Manual requires travelers to "prepare an estimate of the total cost of any proposed overnight travel expected to exceed \$500." Additionally, Topic 20335 of the CAPP Manual states that travelers must keep receipts and accurate records of all expenses to ensure correct reporting and submission of travel reimbursements. M&IE Rate's reimbursement policies state, "The M&IE per diem must correspond to the location specified for the overnight lodging."

Not obtaining proper prior approval for travel on international trips indicates an inadequate level of oversight and increases the risk of unnecessary travel expense. When there is no clear purpose of travel documented, the risk that travel is unnecessary is further increased. Preparing an estimate of the total cost of proposed overnight travel to exceed \$500 ensures adequate planning and identifies costs and exceptions to ensure that trips do not exceed budgeted amounts. Finally, operating without a clear and consistent method to calculate travel reimbursements to employees could result in errors related to travel expense reimbursements, which could include overpayments to employees.

Prior approval of the Board's travel expenses did not occur due to delays with the approval from the former Secretary of Commerce and Trade; therefore, there were several trips in which proper authorization was not obtained in the period under audit. Effective July 24, 2014, the current Secretary of Commerce and Trade approved in advance all overseas travel that is within the budget for the Board's Executive Director and Vice Chairman. Voucher submissions without cost estimates and consistent M&IE reimbursement calculations occurred due to a lack of travel policies and procedures within DSAS specific to the unique operations of the Board to ensure compliance with the CAPP Manual.

DSAS should develop specific travel policies in addition to the CAPP Manual that apply to the Board. These travel policies should establish clear expectations of what is required for travel expense reimbursement submissions. The travel policies at a minimum should determine:

- What type of prior authorization will be required for planned trips abroad;
- The level of detail that should be provided for the purpose of the trip; and
- A clear travel expense reimbursement method calculation that is in compliance with the CAPP Manual.

Specifically, if blanket approval continues to apply for all Board travel, DSAS should consider designing Board travel policies to require more detail related to the purpose of travel to ensure travel is necessary and legitimate.

### **Improve Controls over myVRS Navigator System**

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 myVRS Navigator system (VNAV) or to retain evidence of those procedures.

Prior to performing the snapshot certification, DSAS is not documenting its reconciliation between CIPPS and VNAV. DSAS is also not consistently reviewing the PMIS Cancelled Record Report generated within VNAV and correcting any discrepancies timely. During fiscal year 2014, DSAS did not submit 11 percent of its snapshot certifications by the Virginia Retirement System (VRS) deadline.

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 the retirement system (VNAV). Accounts then processes an Interagency Transfer for the differences between what DSAS confirmed in VNAV 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 VNAV so they remain in sync. This ensures that CIPPS and VNAV 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 VNAV 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 VNAV 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 VNAV; therefore, DSAS cannot make appropriate corrections timely when data conflicts during the PMIS to VNAV 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 VNAV 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 VNAV. The controls and procedures developed should at 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 VNAV 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 VNAV data monthly by the imposed deadline; and
- Require timely correction of exceptions noted in the Accounts Automated Reconciliation “U” reports.

DSAS should consider staffing and other priorities to ensure timely performance of the monthly Contribution Snapshot.

## 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 2014, 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 2014.

The following tables summarize the budget and expenses for the Secretary's Office in fiscal year 2014. The table also shows the Technology Trust Fund appropriation for fiscal year 2014, 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 2014

Funding source:	Original Budget	Final Budget	Actual Expenses
General Fund appropriations	\$1,933,566	\$2,209,010	\$2,102,538
Technology Trust Fund appropriations	-	353,422	333,797
<b>Total</b>	<b>\$1,933,566</b>	<b>\$2,562,432</b>	<b>\$2,436,335</b>

### Expenses for Fiscal Year 2014

Personal services	\$1,420,231
Contractual services	865,073
Continuous charges	120,680
Supplies and materials	29,839
Equipment	512
<b>Total</b>	<b>\$2,436,335</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 2014.

### Budget Analysis for Fiscal Year 2014

Funding source:	Original Budget	Final Budget	Actual Expenses
General Fund appropriations	\$ -	\$177,873	\$176,247

### Expenses for Fiscal Year 2014

Personal services	\$121,955
Contractual services	49,423
Continuous charges	3,500
Supplies and materials	1,267
Transfer Payments	102
<b>Total</b>	<b>\$176,247</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 \$105,543 from fiscal year 2013 and the Virginia Capitol Foundation collected \$10,000 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 2014.

### **Budget Analysis for Fiscal Year 2014**

<b>Funding source:</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Expenses</b>
Special revenue	\$ -	\$105,543	\$ 38,947

### **Expenses for Fiscal Year 2014**

Contractual services	\$36,742
Equipment	1,350
Supplies and materials	1,125
<b>Total</b>	<b>\$38,947</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 2014.

### **Budget Analysis for Fiscal Year 2014**

<b>Funding source:</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Expenses</b>
General Fund appropriations	\$190,910	\$190,926	\$190,926



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

June 11, 2015

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable John C. Watkins  
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, 2014. 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, review the adequacy of the Division's internal controls, and test compliance with applicable laws, regulations, contracts, and grant agreements.

## **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

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. 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."

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

We discussed this report with management on June 19, 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/alh



# COMMONWEALTH of VIRGINIA

Office of the Governor  
Richmond 23219

Secretary of Administration  
Division of Selected Agency  
Support Services

June 22, 2015

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, 2014, which identified internal controls and compliance matters.

We agree with and respect the findings. We will proceed accordingly with developing additional controls and updating current procedures to ensure that the matters are 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 that reads "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, 2014

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