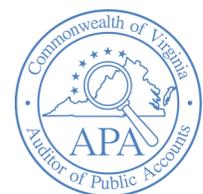




INDIGENT DEFENSE COMMISSION

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 Indigent Defense Commission (the Commission) 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;
- one matter involving internal control and its operation necessary to bring to management's attention, which is discussed in the section entitled "Audit Findings and Recommendations"; and
- an instance of noncompliance with applicable laws and regulations or other matters that are required to be reported.

- TABLE OF CONTENTS -

| | <u>Pages</u> |
|---|--------------|
| AUDIT SUMMARY | |
| AUDIT FINDINGS AND RECOMMENDATIONS | 1-2 |
| AGENCY HIGHLIGHTS | 3 |
| INDEPENDENT AUDITOR'S REPORT | 4-5 |
| AGENCY RESPONSE | 6-7 |
| COMMISSION MEMBERS AND AGENCY OFFICIALS | 8 |

AUDIT FINDINGS AND RECOMMENDATIONS

Improve Controls over Critical Systems' Access

The Commission did not timely remove employee access to the following Commonwealth Systems during the audit period: Integrated Payroll and Personnel System (CIPPS), Commonwealth Accounting and Reporting System (CARS), and *myVRS* Navigator. The Commission did not ensure that five employees who separated from or changed position had their access removed in a timely manner, as follows: 43 percent (three out of seven) of CIPPS users, eleven percent (one out of nine) of CARS users, and one *myVRS* Navigator user retained their access between 37 and 150 days subsequent to their separation or change of position. In addition, the Commission did not ensure proper segregation of duties in the role-based security system of *myVRS* Navigator and assigned five incompatible roles to one employee, which created opportunities for potential fraud and errors to occur and not be detected.

The Commission's management allowed the Human Resources (HR) Generalist Position to have "Person Account Processor" and "Employment Processor" roles together with the "SnapShot Processor" role, which gave this employee the authority not only to enroll new employees, create and update employment status, salary, and benefits, but also to generate and confirm the Commission's monthly contribution report, which created a segregation of duties issue. In addition, the Commission's management did not ensure proper segregation of duties by assigning to the same employee the "Employment Processor" role that can create service purchase agreements and generate cost letters for service purchases and the "Service Purchase Approver" role that can approve service purchase payment agreements submitted by the Employment Processor. While having all these roles maybe acceptable, management was not able to provide documentation of its rationale for authorizing the HR Generalist these roles or how it was controlling proper segregation of duties for *myVRS* Navigator for this individual.

The Commonwealth of Virginia's Information Security Standard SEC 501-09 (Security Standard) addresses requirements over information system access controls. Section 8.1 AC-2-COV (2.f) of the Security Standard states that each agency shall promptly remove access when no longer required. Section 8.1 AC-5 of the Security Standard, requires each agency to segregate duties of individuals as necessary to prevent unauthorized activity.

Sound internal controls over CARS access are vital to ensure the integrity of accounting transactions and to safeguard the assets of the Commonwealth. Untimely removal of CIPPS and *myVRS* Navigator access increases the risk of exposing sensitive employee information and the risk that employees will use their inappropriate access to circumvent controls and make changes to employee's pay rate. In addition, changes made to *myVRS* Navigator can affect the employer portion of the retirement benefits an employee receives. Ensuring that all employees have reasonable access to *myVRS* Navigator given their job responsibilities ensures that there are adequate controls surrounding the data that calculates the retirement benefit amounts received by employees. The

Commission was not able to ensure adequate controls over critical systems access due to employee turnover for the position responsible for granting, reviewing, and removing CARS and CIPPS access.

Management should evaluate and strengthen its policies and procedures to ensure that user access is current and appropriate, reviewed regularly, and removed timely when the requirement for access no longer exists. In addition, the procedures should emphasize the importance of an adequate segregation of duties for the role-based security systems, which is a key control reducing the opportunity for potential risks of fraud and error. By strengthening the policies and procedures, the Commission can ensure proper segregation of duties exists and employees do not have access to critical systems for an extended time after their termination or change of position date.

AGENCY HIGHLIGHTS

The Commission is an independent agency of the judicial branch of government and exists to carry out the Commonwealth’s constitutional obligation to provide attorneys for indigent persons charged with felonies, misdemeanors, or juvenile offenses. The Commission is statutorily mandated to oversee the certification and recertification of all court appointed attorneys providing criminal indigent defense services, to enforce Standards of Practice, and to directly oversee the state public defender offices.

Since the Commission’s last audit, it experienced several significant changes in its operations. In fiscal year 2013, the Commission switched from an internal financial management system “Integrated Decision Support System” (IDSS) to CARS. In fiscal years 2014 and 2015, the Commission went live on *myVRS* Navigator and Cardinal, respectively. In addition, the Commission experienced the turnover of several key positions: Deputy Executive Director, Chief Financial Officer, and Information Technology (IT) Director. During the audit period, new management was assessing the control environment looking for ways to streamline processes and improve controls.

The Commission incurs expenses to support its mission through the administration of one major program: Legal Defense. The Commission’s primary funding source is the General Fund, with appropriations accounting for 99 percent of total funding each fiscal year. As demonstrated in the analysis below for fiscal years 2013, 2014, and 2015, payroll costs, including fringe benefits, accounted for 87 percent to 90 percent of the Commission’s total expenses. The remaining expenses for the Commission included items such as contractual services, supplies and materials, equipment, transfer payments, and other continuous charges.

Expense Analysis by Major Expense

| Major Expense | FY2013 | FY2014 | FY2015 |
|---------------------------------|----------------------|----------------------|----------------------|
| Personal Services | \$ 39,138,419 | \$ 40,275,204 | \$ 41,627,645 |
| Contractual Services | 1,465,954 | 1,445,468 | 1,339,534 |
| Supplies and Materials | 209,213 | 177,905 | 173,844 |
| Transfer Payments | 26,569 | 34,195 | 55,588 |
| Continuous Charges | 2,759,971 | 2,584,482 | 3,366,522 |
| Equipment | 1,330,754 | 350,895 | 226,263 |
| Total operating revenues | \$ 44,930,880 | \$ 44,868,149 | \$ 46,789,396 |

Source: Commonwealth Accounting and Reporting System



Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

March 10, 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 Virginia Indigent Defense Commission 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, review the adequacy of the Commission's internal controls, and test compliance with applicable laws, regulations, contracts, and grant agreements.

Audit Scope and Methodology

The Commission'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.

Payroll expenses
Operating expenses
Appropriations
Systems access

We performed audit tests to determine whether the Commission'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 Commission's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that the Commission properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Commission 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 a certain matter involving internal control and its operation and compliance with applicable laws and regulations that require management's attention and corrective action. This matter is described in the section entitled "Audit Findings and Recommendations."

Exit Conference and Report Distribution

We discussed this report with management on March 16, 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

DLR/clj

VIRGINIA INDIGENT DEFENSE COMMISSION

COMMISSION MEMBERS

Judge Alan E. Rosenblatt (ret.), Chair
Steven D. Benjamin
Thomas R. Chaffe
Carolyn Grady
John G. Douglass
Walter R. Hade
Judge Edward W. Hanson, Jr. (ret.)
Guy W. Horsley, Jr.
Kristen Howard
Delegate J. Randall Minchew
Attorney Richard Stuart
David D. Walker
Carmen B. Williams
Christi A. Woolen

1604 Santa Rosa Road, Suite 200
Richmond, Virginia 23229

Telephone (804) 662-7249 | Facsimile (804) 662-7359
www.indigentdefense.virginia.gov

March 15, 2016

DAVID J. JOHNSON
Executive Director

MARIA JANKOWSKI
Deputy Director

MAURION EDWARDS
Information Systems Director

AMY WILLIAMS
Human Resources Director

ANGELA THOMPSON
Chief Financial Officer

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

Dear Ms. Mavredes:

This letter is in response to your audit of the financial records and operations of the Virginia Indigent Defense Commission (Commission) for the fiscal years ended June 30, 2013, June 30, 2014, and June 30, 2015.

The audit resulted in one finding which is entitled “Improve Controls Over Critical Systems’ Access”. The Commission agrees that we did not timely remove employee access to the Commonwealth’s Integrated Payroll/Personnel System (CIPPS), Commonwealth’s Accounting and Reporting System (CARS), and myVRS Navigator (VNAV) during the audit period. Also, the Commission agrees that there was a segregation of duties issue with VNAV access during the audit period.

The Commission resolved the security access issues for CIPPS and CARS before the audit began as described below.

- For CIPPS, the Chief Financial Officer (CFO) decided after the departure of the Financial Services Supervisor in March 2015 that no Commission employees needed access to CIPPS. Accordingly, no Commission employees have access to CIPPS.
- For CARS, the CFO changed the security access and removal process shortly after joining the Commission in January 2015. We had three employees who had CARS access leave the Commission thereafter, and their access removal was requested of DOA within three days or earlier of their departure dates. Additionally, the Commission went live on Cardinal on October 1, 2014. At that time, Cardinal became the primary point of entry and approval for accounting transactions. Thus, it is not possible to add vendors or employees, and it is not possible to pay vendors or employees from CARS. The only functionality in CARS is to prepare ATV’s which can reclassify information or to prepare IAT’s to DOA for Healthcare charges or credits.

The Commission resolved the segregation of duties issue for VNAV during the audit and is currently drafting a procedure document for VNAV access as described below.

- For VNAV access, the “Service Purchase Approver” role was removed from the HR Generalist and given to the HR Director. Additionally, the HR Director is creating a procedure for adding and removing VNAV access. This procedure will also include a

process for auditing the VNAV access each year. The HR Director expects to complete this procedure by March 31, 2016.

We appreciate the effort of the auditors and value their work and results. We take audit findings very seriously, and we understand the importance of correcting any issues as soon as possible. Thank you for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'DJ', with a long horizontal flourish extending to the right.

David Johnson, Executive Director

INDIGENT DEFENSE COMMISSION

COMMISSION MEMBERS

As of June 30, 2015

The Honorable Alan E. Rosenblatt, Chair

Steven D. Benjamin
Thomas R. Chaffe
John G. Douglass
Karl R. Hade
Edward W. Hanson
Guy W. Horsley, Jr.

Kristen Howard
Randall J. Minchew
Richard Stuart
David D. Walker
Carmen B. Williams
Kristi Wooten

OFFICIALS

As of June 30, 2015

David J. Johnson
Executive Director

Maria Jankowski
Deputy Executive Director

Angela Thompson
Chief Financial Officer