VIRGINIA INFORMATION TECHNOLOGIES AGENCY

REPORT ON AUDIT

FOR THE PERIOD

JULY 1, 2006 THROUGH DECEMBER 31, 2007

APA

Auditor of Public Accounts

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Virginia Information Technologies Agency (VITA), found:

- proper recording and reporting of all transactions, in all material respects, in both the Commonwealth Accounting and Reporting System and VITA's Peoplesoft financial system;

- a matter involving internal control and its operations necessary to bring to management's attention;

- an instance of noncompliance with applicable laws and regulations or other matters that is required to be reported;

- the Independent Verification and Validation (IV&V) process is achieving its intended results; however, there are opportunities to strengthen and refine the program to improve the value added to agencies; and

- inadequate corrective action relative to the prior audit finding titled, "Develop Standards for Project Documentation," as discussed in the section titled, Audit Findings and Recommendations.

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AUDIT FINDINGS AND RECOMMENDATIONS

Improve the Independent Verification and Validation Process (IV&V)

The Commonwealth's Project Management Standard (Standard) establishes the required agency processes and documentation for all information technology projects. One section in the Standard addresses Independent Verification and Validation (IV&V) which is a quality assurance process performed by an independent third party. The IV&V is a project management best practice originally developed by the National Aeronautics and Space Administration (NASA).

Generally, an IV&V involves the review and evaluation of project elements to provide additional quality assurance. The IV&V includes a focus on testing to ensure the end product fulfills all the defined requirements and performs as expected.

The Standard requires that all major Information Technology projects use an IV&V strategy. The Code of Virginia categorizes major Information Technology projects as information technology projects that (i) are mission critical, (ii) have statewide application; or (iii) have a total estimated cost of more than $1 million. The Standard requires a project manager to complete a complexity analysis for their project to determine whether it ranks as a low, medium, or high complexity project. This complexity score drives the IV&V requirements for major Information Technology projects.

See the table below that highlights the frequency of required IV&Vs by complexity:

	Complexity		
IV&V Requirement:	**Low**	**Medium**	**High**
At completion of the detailed Project Plan and before project execution begins	X	X	X
At a minimum, one in progress review during project execution and quarterly reviews for all projects with schedules greater than 9 months duration		X	X
At the testing phase (if testing is a component of the project), validate the test plan and testing; and			X
At project closeout, validate the success of the project	X	X	X

The Project Management Division's (Division) complexity analysis showed a need for 37 IV&Vs covering 21 projects in fiscal year 2007. Agencies completed 32 of the IV&Vs at total cost of $668,274, averaging about $20,884 per IV&V. The agencies did not complete five IV&Vs for the following reasons:

- An agency received an exemption from the CIO for an in-progress IV&V (PCs on the Front Counter);
- An agency did not do two scheduled IV&Vs because the CIO suspended the project (EAGLES);
- An agency did not conduct a scheduled IV&V because of project delays due to contract negotiations taking longer than anticipated (Integrated Financial Management); and
- An agency did not conduct a scheduled IV&V because the agency and the Division revised the project schedule, resulting in combining the second progress review IV&V with the test IV&V (VERIS).

The Division has opportunities to improve the IV&V process, and we provide the following recommendations.

Analyze IV&V Results to Develop or Change IV&V Processes

The Standard requires that the Division maintain a knowledge base repository of IV&V findings and recommendations for analysis and identification of new processes or changes to existing IV&V processes. To date the Division has no such knowledge base repository for IV&Vs. Therefore, the Division cannot easily analyze and review IV&V reports across agencies and institutions of higher education for trends and best practice changes.

The creation of a knowledge base repository for IV&V reports would require minimal effort and has the potential to produce improvements in the current IV&V process. A repository will allow Division analysts to reference IV&V reports and enhance their level of oversight, potentially reducing the recurrence of similar project management related issues.

Recommendation: The Division should implement a knowledge base repository for IV&V reports, allowing them to analyze IV&V reports across the Commonwealth and assist in improving the current process. The Division should consider using a document management system, such as SharePoint, as the central repository for the IV&V reports. This will allow visibility of the report throughout VITA and enhance the communication between departments within VITA.

Analyze and Revise the IV&V Standard and Templates

Agencies often use the Division developed IV&V Statement of Work template (template) to procure IV&V services from qualified IV&V vendors. The template defines the IV&V review services that a particular project requires and includes several attachments, one being the IV&V Review Areas and Task Items. Using the template the agency checks the box next to the applicable IV&V review areas and tasks to communicate the scope of the IV&V review to the vendor. The review areas and tasks will vary with each IV&V depending on where the project is in the systems development life cycle.

We reviewed the tasks within the template to determine if they are necessary for the IV&V review process. We found several tasks that duplicate tasks that Division specialists already perform as part of their oversight responsibilities, and therefore, appear as unnecessary for an independent third party to perform.

We believe at a minimum the following IV&V tasks duplicate tasks performed by Division personnel. The Division should consider either removing these tasks from the template, or amend their oversight and billings for the same services.

IV&V Task #	Task Description
PM-6	Evaluate the status of the schedule reported for the project on the Commonwealth Major Information Technology Project Status Report Dashboard.
PM-7	Verify that the Critical Path Milestones described for the project on the Commonwealth Major Information Technology Project Status Report Dashboard are those approved by Agency Management, including the date when the Critical Path Milestones received approval from Agency Management.
PES-9	Compare and evaluate the status of the planned and actual costs being reported for the project on the Commonwealth Major Information Technology Project Status Report Dashboard.
PES-11	Validate the Actual Costs To Date figures reported for the project on the Commonwealth Major Information Technology Project Status Report Dashboard.

The Commonwealth Major IT Project Status Report Dashboard mentioned above was replaced by the Prosight Project Status form (Project Status) in 2006 as the official method for agencies to self report the status of their projects. The above tasks all relate to assessments of data already documented in the Project Status. The Project Status is a tool that agencies use to self report the status of their project on a monthly basis. The Secretary, Agency Head, Project Manager, and Division specialist review and sign-off on each monthly Project Status. The above tasks may add no value to the IV&V review because they duplicate tasks that the Division should already perform when verifying the accuracy of the Project Status.

Specifically, the Division specialist assigned to the major Information Technology project should already ensure that the schedule on the Project Status is the most up-to-date version. In addition, comparing and verifying actual costs to planned costs-to-date is an ongoing Division oversight responsibility since one of the criteria on the Project Status is the project's budget. Making these tasks applicable for an IV&V review does not add value to the project and appears to duplicate the Division's effort since a specialist should already perform these tasks on an ongoing basis.

> Recommendation: The Division should review and analyze the tasks included in the standard IV&V statement of work template and eliminate any tasks that duplicate efforts already performed by Division specialists. The removal of these tasks from the template will eliminate unnecessary costs to agencies, and allow IV&Vs to focus on their main objective, verification and validation of project deliverables.

Implement Validation as Part of IV&V Efforts

Based on our review of the Standard, the IV&V template, and industry best practices, we believe the Commonwealth's IV&V program clearly encompasses independent verification processes. However, a comparison with best practices indicates a need to strengthen the validation component.

To understand what is meant by validation, we referred to two industry best practices. The first, Project Management Body of Knowledge (PMBOK), defines validation as: *the technique of evaluating a component or product during or at the end of a phase or project to ensure it complies with the specified requirements*. The second, the National Aeronautics and Space Administration (NASA), considers validation as *the process of evaluating software throughout its development process to ensure compliance with software*

requirements. In a presentation titled, "Software Independent Verification and Validation", NASA notes that the validation process for software ensures the following:

- Expected behavior when subjected to anticipated events;
- No unexpected behavior when subjected to unanticipated events; and
- System performs to the customer's expectations under all operating conditions.

Based on these definitions we understand the validation piece of an IV&V review should involve independently comparing the actual delivered software to the user requirements. For example, the validation component for a voter registration system may involve the IV&V vendor independently confirming that the system does not allow a registrar to add a duplicate voter record. In another example, the IV&V vendor may independently validate that a system at an institution of higher education properly calculates tuition and fees, or the system will not allow a student to register for future classes if he has not paid for prior classes.

We reviewed the IV&V template to determine whether it included sufficient validation tasks. We determined that it does not require an IV&V vendor to compare the actual software to the user requirements. The Division responded that the agency project team should validate system requirements through testing and the IV&V vendor should verify that the agency executed their tests. We disagree that verifying system tests represents independent validation and believe this approach does not follow industry best practice.

Further, we reviewed an IV&V report for the closeout phase of a systems development project and noted that consistent with the Standard, the IV&V vendor noted test scripts and scenarios were developed by the agency and the scripts were used on the project and will be used for required testing as the system is patched and upgraded. This observation indicates no independent validation occurred during this review nor did the IV&V vendor execute the agency developed test scripts against the system to ensure they produced the desired results. The IV&V vendor's observation provides no added value to the project's closeout.

Agencies are not receiving the maximum added value if the IV&V is merely reviewing test results, something the project team and other external entities have already done. However, we also recognize that having the IV&V vendor perform a true validation will be more costly to agencies and the Commonwealth. One way to accomplish more comprehensive validations without increasing overall IV&V costs may include increasing validation efforts while reducing verification efforts, particularly on projects where verification is already occurring by a Division specialist, APA, Internal Audit as well as the project team.

<u>Recommendation:</u> The Division should strengthen the validation requirements in IV&V reviews. The Division should evaluate best practices on validation and incorporate them into the Standard. The Division should also consider methods to reduce the amount of verification in IV&Vs and bring third parties in to perform the validation components.

<u>Develop Standards for Project Documentation:</u>

Our 2006 audit report titled "Review of Information Technology Governance and Virginia Information Technologies Agency Operations" included a recommendation for the Division to document their requirements for the retention of project documentation. We reviewed the implementation of the recommendation and selected four projects in the execution and control phase to determine if the Division addressed the recommendation for retaining sufficient project documentation.

To help address the issue of project documentation, the Division implemented a new portfolio management system in 2006 called Prosight. Prosight was to become the Division's central repository for all

project documents; however, the Division later learned that doing so would reduce system performance, and they changed their plan. Instead, the Division dedicated an internal network drive to house project documents and correspondence files as a complement to Prosight.

We reviewed documentation on the internal network drive and found no structure or common folder architecture for housing documents. Some projects had well organized folders and subfolders but others had only a few unorganized project document folders. Similarly, some files within the folders were not well organized, making it cumbersome to follow a project's progression and difficult to gain a complete understanding of the project.

> Recommendation: The Division should develop standard folder architecture for all projects on their internal network drive and develop a frequency for how often analysts should upload project documents from their laptops. Further, the Division should consider using a document management system, such as Microsoft SharePoint, to organize their project documents. Having an organized folder structure will allow new or transitioned analysts to gain an understanding of the project more effectively.

Properly Complete Employment Eligibility Verification Forms

VITA is not properly completing Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the United States Citizenship and Immigration Services of the United States Department of Homeland Security in its Handbook for Employers (M-274). The guidance requires the employee to complete, sign, and date Section 1 of the I-9 form on the first day of employment. Additionally, the employer or designated representative must complete, sign, and date Section 2 of the I-9 form within three days of employment.

During our review of twenty-one employees, we found the following exceptions:

- On Section 1 of the I-9 form, one employee did not include a date and four employees dated the form after first day of employment; and
- On Section 2 of the I-9 form, VITA did not certify the date of hire for fourteen employees; did not complete all required information for two employees; only listed one of the two required acceptable documents to establish an employee's identify and employment eligibility for one employee; and did not perform the review and verification within the required three business days for six employees.

All exceptions noted above are unacceptable according to the United States Citizenship and Immigration Services of the United States Department of Homeland Security in its Handbook for Employers (M-274).

> Recommendation: VITA should follow their policy and procedures regarding the I-9 process, train human resource staff on the requirements of completing I-9 forms, and develop procedures to continuously review I-9 forms for compliance with federal regulations. The federal government has increased its enforcement efforts requiring employers to ensure that all new employees are legally entitled to work in the United States. This increased enforcement makes having a good I-9 process in place more important than ever before.

AGENCY HIGHLIGHTS

The Virginia Information Technologies Agency (VITA) is the Commonwealth's consolidated, centralized information technology organization for most executive branch agencies. The Commonwealth's Chief Information Officer (CIO), who is hired by the Commonwealth's Information Technology Investment Board (ITIB), oversees VITA's management and operations. The Board is comprised of eight legislative and gubernatorial appointed members and the Secretary of Technology and the Auditor of Public Accounts, who is a non-voting member.

VITA's responsibilities fall into three primary categories:

- Operation of the Information Technology (IT) infrastructure for executive branch agencies, excluding institutions of higher education;
- Governance of IT systems development projects, in support of the duties and responsibilities of the ITIB and the CIO, for all executive branch agencies and most institutions of higher education; and
- Procurement of technology for VITA and on behalf of other state agencies and institutions of higher education.

VITA entered into a Public-Private Partnership (Partnership) with Northrop Grumman effective July 2006 to assist in fulfilling their IT infrastructure responsibilities. Northrop Grumman now owns and operates the IT infrastructure, including security operations, and hired most of the VITA employees that had supported the formerly VITA-owned infrastructure. VITA restructured their organization as a result of the Partnership and below is a description of VITA's current directorates, their 2007 actual expenses, and the duties they perform. While the nature of the services provided by VITA has not changed, most of these directorates experienced some change in function and form during fiscal year 2007 as a result of the commencement of Northrop Grumman's partnership activities.

Chief Information Officer's Office

The Chief Information Officer's Office provides support to the CIO in fulfilling his statutory responsibilities. As of June 30, 2007, the division had four full-time employees and division expenses totaled $1.1 million.

Service Management Organization

Service Management Organization (SMO) has responsibility for the implementation and management of the information technology public-private partnership with Northrop Grumman on behalf of the Commonwealth. VITA formalized this directorate during fiscal year 2007, hiring staff and developing the performance management practices carried out by directorate staff today. The directorate had 25 full-time employees, with expenses totaling $3.5 million.

Commonwealth Security and Risk Management

Security and Risk Management supports the CIO's IT governance role as defined in the Code of Virginia for the Commonwealth's security assurance and oversight activities. These activities fall out of the scope of the Northrop Grumman partnership, but VITA and Northrop Grumman use the standards and other measures to safeguard the Commonwealth's infrastructure. The directorate had fourteen full-time, four part-time, and one contract employee and directorate expenses totaled $1.4 million.

Customer Account Management

Customer Account Management maintains relationships between VITA and other state and local entities. The directorate's eight full-time employees receive customer requests and analyze and direct them accordingly within the VITA organization. Directorate expenses totaled $760,000.

IT Investment and Enterprise Solutions

IT Investment and Enterprise Solutions provides services supporting statewide information technology governance and oversight activities, including the activities of the Project Management Division; provides or assists in developing enterprise technology solutions; and develops and supports VITA's internal technology applications. The directorate has 66 full-time employees and four contract employees. Nearly $47 million of the directorate's $59 million fiscal 2007 expenses are attributable to Public Safety Communications (Wireless E-911) activities, and we issue a separate audit report of that fund.

Finance and Administration

Finance and Administration handles all financial, procurement, and human resource aspects of VITA. Financial Management Services, manages VITA's financial transactions and reporting as well as VITA's budgetary planning, execution, and analysis. Supply Chain Management leads the selection, negotiation, development, and management of information technology suppliers for VITA and other state agencies. Human Resource Management provides human resources management, professional development, and training for VITA employees. The directorate had 60 full-time, seven part-time, and three contract employees and directorate expenses totaled $33 million. Nearly $20 million of the directorate expenses represent hardware and software depreciation expense for equipment still owned by the Commonwealth as well as the purchase of out-of-scope equipment on behalf of state agencies throughout the year, which we discuss further below.

Communications

Communications handles all official communications for VITA, internal and external to the organization, manages VITA's change management efforts, and also supports the CIO and the ITIB. The directorate had seven and one-half full-time employees and directorate expenses totaled $840,000.

Internal Audit Services

Finally, Internal Audit Services assists VITA management, the CIO, and the ITIB through the Finance and Audit Committee by providing independent, objective assurance and consulting services. By the end of fiscal 2007, the directorate had five full-time employees and expenses totaling $319,000.

FINANCIAL HIGHLIGHTS

The following charts illustrate VITA's original budget and adjusted budget for fiscal years 2007 and 2008. For fiscal year 2007 we have included expenses but did not do so for fiscal year 2008 since our audit period only includes the first six months of fiscal year 2008.

Analysis of Budgeted Funding and Expenses by Fund for Fiscal Year 2007

Fund	Original Budget	Adjusted Budget	Expenses
General	$ (747,903)	$ 6,286,148	$ 6,191,121
Special revenues	2,961,609	7,903,592	6,859,559
Internal service	sum sufficient	273,904,274	258,006,495
Dedicated special revenue	54,222,802	64,722,802	50,741,892
Federal	-	544,858	395,320
Total	$56,436,508	$353,361,674	$322,194,387

Source: Appropriations Act and Commonwealth Accounting and Reporting System (CARS)

Analysis of Budgeted Funding by Fund for Fiscal Year 2008

Fund	Original Budget	Adjusted Budget
General	$ (2,390,705)	$ (2,332,374)
Special revenues	3,108,609	3,108,609
Internal service	sum sufficient	282,452,231
Dedicated special revenue	55,222,802	55,222,802
Federal	-	1,128,204
Total	$ 55,940,706	$339,579,472

Source: Appropriations Act and Commonwealth Accounting and Reporting System (CARS)

The majority of VITA's budget represents internal service fund fees that VITA charges to other entities for services delivered under the Northrop Grumman public-private partnership. The other large component of VITA's budget is a dedicated special revenue fund that supports emergency communication systems around the Commonwealth. These funds are for the development and deployment of improvements to the statewide wireless E-911 network.

The negative General Fund appropriation reflects an anticipated savings from the creation of VITA. We explain these savings in more detail following the next series of tables.

VITA spent approximately $322 million on programs during fiscal year 2007. As shown in the chart below, VITA has seven programs in the Appropriations Act where expenses are charged.

Analysis of Budget to Actual Expenses, by Program for Fiscal Year 2007

Program	Original Budget	Adjusted Budget	Expenses
Electronic government services	$ 6,902,085	$ 10,853,352	$ 4,112,986
Emergency communication systems management	47,362,326	57,862,326	50,528,953
Executive management	(3,288,000)	-	-
Computer services systems	Sum sufficient	184,006,128	175,813,533
Telecommunication services	2,940,000	72,148,990	69,811,469
Technology management oversight services	2,520,097	7,174,644	3,194,286
Administrative support services	Sum sufficient	21,316,234	18,733,159
Total	$56,436,508	$353,361,674	$322,194,387

Source: Appropriations Act and Commonwealth Accounting and Reporting System (CARS)

Analysis of Budget by Program for Fiscal Year 2008

Program	Original Budget	Adjusted Budget
Electronic government services	$ 6,902,085	$ 8,030,289
Emergency communication systems management	48,362,326	48,362,326
Executive management	(4,932,000)	(4,932,000)
Computer services systems	Sum sufficient	181,397,320
Telecommunication Services	3,087,000	78,160,365
Technology management oversight services	2,521,295	7,059,542
Administrative support services	Sum sufficient	21,501,630
Total	$55,940,706	$339,579,472

Source: Appropriations Act and Commonwealth Accounting and Reporting System (CARS)

Beginning in fiscal year 2006, the Governor's Budget reduced VITA's General Fund appropriation by $1,644,000 to offset estimated annual agency savings due to the creation of VITA. During fiscal 2006, the plan was that VITA would repay the savings once the Department of Planning and Budget had withdrawn the savings from individual agencies. However, in fiscal year 2006 the actual savings fell short and the Department of Planning and Budget deferred the negative appropriation and added it to the 2007 estimated savings, thereby, increasing the negative appropriation in fiscal year 2007. This action resulted in a $3.3 million dollar negative appropriation for fiscal year 2007. These savings have been deferred once again, thus, the fiscal year 2008 negative appropriation increased to $4.9 million.

VITA believes that this budget reduction in their General Fund appropriation should not exist because of the public private partnership with Northrop Grumman. In the recently approved budget, Chapter 879, for fiscal years 2009 and 2010, VITA will receive $4.9 million in General Funds each year of the biennium to

eliminate savings that was assumed in the budget for operational efficiency from the centralization of technology services through VITA.

VITA uses an internal budget and accounting system that allows them to provide more detailed information and at different levels and organizational units than available in the Commonwealth's systems. The following chart shows budget and actual information for fiscal year 2007 from VITA's internal accounting system, which we have grouped by categories that represent business process areas more commonly associated with VITA, rather than by program or fund as reflected in CARS.

In total, actual expenses in VITA's system does not agree to the Commonwealth Accounting and Reporting System (CARS) because VITA's system records revenues and expenses using the accrual basis of accounting rather than the cash basis of accounting reflected in CARS. Consequently, the expenses presented below from VITA's system do not agree to those reflected in the CARS tables above due to the normal timing differences that result from the basis of accounting.

Analysis of Budget to Actual Expenses, by business process areas, for Fiscal Year 2007

Process Area	Original and Final Internal Budget	Actual Expenses
Customer outreach and account management activities	$ 2,396,163	$ 1,814,174
Supply chain management activities	2,838,398	3,225,029
Partnership management activities - VITA	5,202,558	3,330,314
Partnership services – Northrop Grumman	186,802,737	230,273,848
Commonwealth security and risk management activities	2,661,023	1,400,906
IT investment and enterprise solutions activities	12,724,252	10,917,557
Project management activities	2,866,561	1,996,416
Public Safety Communications (Wireless E911) activities	47,437,914	46,391,398
Administration and organizational support activities	10,830,154	30,698,802
Total operating budget and expenses	$273,759,760	$330,048,444

Source: VITA's internal PeopleSoft Accounting and Budgeting System

A significant variation between budgeted and actual expenses is the impact of the transition to the Northrop Grumman partnership that began July 1, 2006. As a result, fiscal year 2007 was the first year of budgeting for the changes from the partnership. Since VITA did not know the full impact of the change, VITA budgeted conservatively in some areas and aggressively in other areas. Most of the variances where actual expenses were less than the original budget are the result of not having fully staffed the function until late in the fiscal year and reducing the use of consultant services.

The overage related to Partnership Services resulted from management electing to only budget for those items with the potential to remain within the internally managed organization, such as telecommunication services, rather than all services within the entire scope of the partnership. The overage within Administration and Organizational Support Activities results from VITA recording certain expenses, such as depreciation, that were originally part of the Partnership Services budget. VITA chose not to adjust their internal budget for these expenses because their budgeting system was new and would have required numerous adjustments to many budget centers.

Finally, the overage related to Supply Chain Management reflects the changing role of the division and how they support information technology procurement activities not only within VITA but also in the Commonwealth. VITA originally anticipated some of these activities being under Northrop Grumman, but they remain currently in VITA. Other activities, such as serving as the procurement officer for significant application purchases by smaller agencies, have grown more quickly than anticipated.

Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
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June 2, 2008

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable M. Kirland Cox
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of the **Virginia Information Technologies Agency** (VITA) for the period July 1, 2006 through December 31, 2007. 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 on the Commonwealth Accounting and Reporting System and in VITA's internal PeopleSoft financial and budgeting system, review the adequacy of VITA's internal controls, test for compliance with applicable laws and regulations, evaluate whether the VITA's Independent Verification and Validation (IV&V) process is achieving its intended results and effectively provides value add to agencies, and review corrective actions of the audit finding concerning the Project Management Division's project documentation from a prior year report.

Audit Scope and Methodology

VITA'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 and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control 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:

Budgeting
Procurement and contracts
Expenses
Payroll

We performed audit tests to determine whether VITA'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 and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of VITA's operations. We reviewed applicable sections of the Code of Virginia and the Virginia Acts of Assembly. We tested transactions and performed analytical procedures, including budgetary and trend analysis.

Conclusions

We found that VITA properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and in its internal accounting system. VITA records its financial transactions in the Commonwealth's Accounting and Reporting System 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. In addition, VITA records its financial transactions in their internal accounting system on the accrual basis of accounting, which is a comprehensive basis of accounting generally accepted in the United States of America. The financial information presented in this report came directly from both the Commonwealth Accounting and Reporting System and VITA's internal accounting system.

We noted certain matters involving internal control and its operation that we consider necessary to be reported to management. Further, the results of our tests of compliance with applicable laws and regulations disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards. These matters and this instance of noncompliance that require management's attention and corrective action are described in the section entitled "Audit Findings and Recommendations." VITA has not taken adequate corrective action with respect to the audit finding concerning the Project Management Division's project documentation from a prior year report.

EXIT CONFERENCE AND REPORT DISTRIBUTION

We discussed this report with management on July 1, 2008. Management's response has been included at the end of this report.

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

KKH/wdh

COMMONWEALTH of VIRGINIA

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July 8, 2008

Mr. Walter J. Kucharski
Auditor of Public Accounts
Post Office Box 1295
Richmond, Virginia 23218

Dear Mr. Kucharski:

Thank you for the opportunity to comment on the recently completed "Report on the Virginia Information Technologies Agency (VITA)". The report discusses financial transactions, internal controls, and VITA's Independent Verification and Validation process. We are in general agreement with the report overall.

I do wish to note that regarding implementation of validation as part of the Project Management Division's independent verification and validation (IV&V) efforts, we understand and agree that our current IV&V activities do not cover the complete range of validation activities, as classically defined. However, as we have pointed out, those efforts were purposefully scaled back to mitigate the financial impact of IV&V requirements upon the affected agencies. Further, we believe the selection of validation tasks should appropriately be risk-based. We are therefore, concerned that the validation approach your report advocates would result in a significant increase in IV&V costs regardless of a project's risk profile. Based on experience to date, we also question whether increased validation costs can be offset by a reduction in verification tasks, as the report suggests. We will certainly factor APA's validation recommendations into future IV&V efforts and monitor results accordingly. To assist in incorporating your recommendations, it would be helpful to have a copy of the references and notes from your "comparison with best practices" regarding validation.

Finally, I would like the record to reflect regarding the federal I-9 legal resident form finding, to the best of our knowledge until April 20, 2008 VITA had been following the policy directives of the Department of Human Resource Management. On that date a new state policy was issued, and we have subsequently amended our policy and practice accordingly.

As always, we appreciate the time and attention that your staff devoted to this and other matters of mutual interest. We continue to look forward to working with you in the future.

AN EQUAL OPPORTUNITY EMPLOYER

Sincerely,

Lemuel C. Stewart, Jr.

c: The Honorable Aneesh P. Chopra, Secretary of Technology
Judy G. Napier, Deputy Secretary of Technology
Members, Information Technology Investment Board

AGENCY OFFICIALS

VIRGINIA INFORMATION TECHNOLOGIES AGENCY
Chester, Virginia

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