



KPMG LLP
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Board of Supervisors
County of Loudoun, Virginia:

We have audited the fiscal year 2003 basic financial statements of the County of Loudoun, Virginia (the County), and have issued our report thereon, dated December 11, 2003. We have also audited the compliance of the County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003, and have issued our report thereon, dated December 11, 2003. We have not considered internal control since the date of our reports.

In planning and performing our audits, we considered the County's internal control over financial reporting and compliance. We determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of design and tests of operating effectiveness of these controls in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and on compliance, not to provide assurance on internal control over financial reporting and compliance.

As a part of obtaining reasonable assurance about whether the County's financial statements were free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Also, the Auditor of Public Accounts of the Commonwealth of Virginia requires us to test the County's compliance with certain matters specified in the Code of Virginia. Our report on compliance and on internal control over financial reporting based on an audit of the financial statements, performed in accordance with *Government Auditing Standards*, identified no matters that we considered to be reportable conditions and no instances of noncompliance that are required to be reported under the *Government Auditing Standards* issued by the Comptroller General of the United States, or the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our report on compliance with requirements applicable to each major program, internal control over compliance, and the schedule of expenditures of federal awards in accordance with OMB Circular A-133, identified those instances of noncompliance with requirements that were required to be reported and those matters that we considered to represent reportable conditions.

During our audits, we also noted certain matters involving internal control over financial reporting, compliance, and other operational matters that are not considered to be reportable conditions. Our observations and recommendations with respect to these matters are presented in appendix A to this letter for the County's consideration, and are intended to improve internal control over financial reporting and compliance or result in other operating efficiencies. Our audit procedures were designed primarily to enable us to form an opinion on the County's financial statements and compliance, and therefore may not bring to light all weaknesses in policies or procedures that exist. The County's response to our observations and recommendations are also presented in Appendix A.





This letter is intended solely for the information and use of the board of supervisors, County management, the Auditor of Public Accounts, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 11, 2004

COUNTY OF LOUDOUN, VIRGINIA

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COUNTY OF LOUDOUN, VIRGINIA

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**Observations and Recommended Improvements to the County's
Internal Controls over Financial Reporting and Compliance
Fiscal Year 2003 – Management Letter**

County of Loudoun, Virginia

Human Resources Management

A.1 Controls over the payroll process at Loudoun County should be improved

During our review of the human resource management process, we noted that the Loudoun County Department of Management Services Human Resource Division (HR) controlled the initial input and final deletion of all employee personal data. We tested the access controls to the payroll reporting system and determined that the access controls in HR at the County were operating effectively. We also determined that the Comptroller's Office within the Department of Financial Services controlled all other payroll data, such as employee withholding amounts and rates of compensation. Further, the payroll accountants and certain HR personnel have the ability to update compensation information in the payroll database, including the ability to change their own pay rate.

We were informed that the County had established a mitigating control over the modifications made by HR and the payroll accountants, which consisted of a supervisory review of a system generated audit report that reflected pay rate increases of more than 5% for all employees during the respective pay period. Through inquiry of the finance department, we determined that this report was not reviewed on a consistent basis because the design of the report was not user friendly and did not allow for the easy isolation and identification of the modifications to an individual's payroll file to verify their propriety. As a result, modifications to individuals' withholding and compensation rates were executed during the year without adequate supervisory review, and may have resulted in unauthorized modifications of an individual's withholding and/or compensation rates.

We recommend that a user-friendly exception report, which reflects all payroll modifications with "before" and "after" snapshots, and identifies the personnel initiating the modification be designed and generated during every payroll cycle. This report should be reviewed on a consistent basis at the appropriate supervisory level and any unusual items resolved prior to final processing of the payroll for distribution. The supervisor should initial the report as evidence of the completion of the review and the reports should be maintained until the annual financial audit has been completed.

Management's Response

The Loudoun County Comptroller's Office receives a bi-weekly system generated report that provides all compensation changes made during the payroll period. The payroll accountant reviews this entire report on a bi-weekly basis. Any increases of 5% or more are traced back to the Personnel Action form to verify validity. All other increases are reviewed for reasonableness and are verified back to the Personnel Action form if the increase seems unusual. Further, since the payroll technicians, payroll accountant, and financial analyst have the ability to change their own pay rate, the financial analyst reviews each of these employees' pay on a bi-weekly basis for any unauthorized transactions. The assistant comptroller periodically reviews the financial analyst's pay for any unauthorized transactions. We agree that it is proper that the supervisor sign that these reviews have been completed.

The system is designed so that Human Resources, Payroll and Budget each have limited security for changes that they can make to the database. The system does not allow security to be limited to transactions on any specific individual, only to specific functions within the database. Therefore, we can not limit an individual from making transactions on themselves. We do have supervisory review of these transactions to insure the accuracy of transactions on the individuals with security to make changes to their own records. We maintain these reports for a minimum of three years.

We fully understand that the regular review and update of internal controls is important to maintain accurate financial records and to protect the assets of the County. We agree that the personnel costs are the most significant expenditures of the County. We will review the current procedures to see if any additional procedures need to be added to current internal controls.

A.2 Controls over the payroll process at the Loudoun County Public Schools (LCPS) should be improved

During our review of the human resource management process at LCPS, we noted that the LCPS Department of Personnel Services (DPS) controlled the initial input and final deletion of all employee personal data, as well as modifications to the employee's profile, including pay rates and withholdings.

Based on our test work, we concluded that the policies and procedures establishing controls over the human resource process at LCPS were not adequately designed to prevent or detect unauthorized transactions. We tested the access controls to the payroll reporting system and determined that there were 8 identified users who had inappropriate access to the new hire set up function and 32 identified users who had inappropriate access to modify payroll information. The compensating detective control consisted of the supervisory review of a system generated audit report (i.e. the IS/WAS report) that reflected all changes made to the payroll file during the respective pay period. We tested 15 such reports and noted that 2 of them did not contain the supervisor's signature. As a result, we could not determine that the review had taken place and modifications to the payroll file could have been made without adequate supervisory review.

We recommend that levels of access be restricted to appropriate personnel and be designed to provide for the segregation of duties between users who can input and delete new hire data, and users who can modify payroll information. We noted that the LCPS took steps to modify access to payroll data during the course of our audit. We also recommend that the payroll supervisor sign the IS/WAS report as evidence of her review.

Management's Response

Management concurs. The policies and procedures identified by KPMG were limited to the processes related to establishing a new hire in the personnel and payroll systems. As a system, controls in place limit access to appropriate employees for all other areas of payroll processing. LCPS continually monitors and tests these controls to insure that proper segregation of duties is maintained and that access to a payroll/personnel system is limited to those staff members, whose job responsibilities require access to certain sections of the payroll/personnel system as position responsibilities are defined. In the case of the new hire processes, controls have been modified to deny access to those LCPS personnel who do not have update responsibility in this process. IS/WAS reports are being signed by management to document that these reports have been reviewed to determine that only authorized staff have entered data to processes to which their job function authorizes access. Supervisory review of the IS/WAS report is one of many controls in the payroll process to detect the changes described.

A.3 Monitoring controls over the third party organizations that assist Loudoun County and the Loudoun County Public Schools with risk management should be improved

During our test work over self insurance, we noted that neither the County nor LCPS have a complete set of policies and procedures that provide for the proper monitoring of their third party service organizations that process claims for the workers compensation and healthcare self-insurance plans (e.g. MAMSI, Delta Dental Plan, etc.). Neither of the entities require the third party organizations to obtain a SAS 70 review of internal controls, conduct on-site reviews of the service organizations, or perform other procedures to ensure that the loss data provided is complete and accurate. Further, during the confirmation of the cash balances with the third party service organizations, we noted an unreconciled difference of \$48,000 that had not been resolved for several years.

The AICPA has promulgated SAS No. 70, *Audits of Service Organizations*, to provide guidance for reviewing the controls in place at service organizations. A SAS 70 report provides an opinion on the assertions made by a service organization's management about their internal controls. These reports are intended for use by the organization's clients and their auditors in assessing control risk.

In order to assure itself that effective internal controls are in place at the third party service organizations, we recommend that the County and LCPS require the service organizations to provide a SAS 70 report on the design and operation of internal controls related to the processing of the outsourced transactions. The expression of such client request may help ensure that the third party service organizations subject themselves to SAS 70 audit procedures for providing assurance to their customers that their internal control systems are adequately designed and operate effectively. Despite the outcome of this request, it is incumbent upon the management of the County and LCPS to sufficiently assess control risk at the third party service organizations and establish an adequate internal control system within their respective entities for ensuring that the financial transactions reported by the service organizations are complete and reasonable in the circumstances, prior to being recorded in the general ledger.

Management's Response

Management concurs. Loudoun County Government and Loudoun County Public Schools are considering incorporating this requirement into future third party service organization contracts.

Revenue Management

B.1 Controls over the revenue process in the Building and Development Department should be strengthened

During our process analysis and control test work over the revenue process at the Building and Development Department, we reviewed the management controls in place that address the risk of an employee fraudulently or erroneously changing or waiving permit fees in the Land Management Information System (LMIS system). We also reviewed controls over system access and segregation of duties between employees having system access to enter, waive, and/or change permit fees and employees reviewing the transmittal reports.

We noted that all the employees in the Building and Development Department have system access to waive permit fees and five of them have system access to change permit fees. Management review controls aim to ensure that permit fees are accurately entered into the LMIS system and changes are warranted. Per inquiry of department personnel, transmittal forms are being reviewed on a daily basis prior to remittance to the Treasurer. Only one employee reviews the transmittal reports. However, the reviewer also has system access to enter, waive, and change permit fees and he does not document his review of the transmittal report. Therefore, we concluded that the controls over permit fees are not adequately designed.

We recommend that the employee reviewing the transmittal reports should not have access to enter, change, or waive permit fees. Alternatively, the transmittal reports should undergo a second level of review to ensure that the processing of all permit fees, including the permits processed by the first reviewer, is accurate. Further, the review of the transmittal reports should be documented in such a way that the reviewer is identified and the report's accuracy is confirmed.

Management's Response

Management concurs. Loudoun County Government is reviewing internal controls in this area. We agree that this comment should be implemented through changes in procedures and system security. Limited staff resources may impact the timelines for this implementation.

B.2 Documentation of control activities over the revenue process in the Building and Development Department should be improved

During our process analysis and control test work over the revenue process at the Building and Development Department, we reviewed the exception/edit reports that identify all discrepancies between LMIS and the Parcel Database System (PDBS). The County maintains the assessment values of all real property in LMIS. Real property taxes are computed and maintained in the County Revenue Information System (CRIS), which is updated by the assessment values in PDBS. Exception/Edit reports are generated on a monthly basis by the Department of Information Technology (DIT). These reports are sent to the appropriate process owners, who review the information and investigate and correct the noted discrepancies. The County ensures that the discrepancies are not repeated in the following month and that the information in both systems is consistent. However, these reports are not maintained as evidence that the noted discrepancies have been corrected and the information in the tax/revenue system is consistent with that in the assessment system. Because none of the reports for the period subject to our audit were retained, we were unable to conclude on the consistency of information in LMIS and PDBS and had to perform extensive audit procedures to ensure that all assessed taxable properties were in fact taxed.

In order to provide evidence of the review process, we recommend that each process owner retain the exception/edit reports generated by DIT on a monthly basis. When the discrepancy is corrected, the corresponding process owner should make a notation on the report to identify the status of the discrepancy and document the follow-up procedures performed. Further, a periodic reconciliation should be performed to ensure that the assessed values per LMIS are consistent with the assessed values per PDBS. The approved exception/edit reports should be maintained until the annual audit process has been completed.

Management's Response

Management concurs. These reports are all archived using PageCenter and the user has the ability to print hard copies. LMIS will be modified to check assessment value and any applicable discrepancies will show on the Exception/Edit report.

Resource Management Process

C.1 Monitoring of open encumbrances at Loudoun County

During our test work over the resource management process, we noted that the Loudoun County Department of Management Services Purchasing Division generates a listing of all open purchase orders/encumbered funds and works with the respective departments to close encumbrances from prior fiscal years with no current year activity. However, we noted that the purchasing clerk does not perform this control activity consistently and does not retain any documentation from these reviews. Therefore, we concluded that this control is not properly designed.

Based on our review of the encumbered funds at June 30, 2003, we noted that the County had approximately \$800,000 in funds that had been encumbered for at least one year with no current year activity. These encumbrances are tying up the County's resources, as the underlying funds appear to be reserved and not available for reappropriation to serve the County's constituency. The County should implement procedures to ensure that encumbrances are periodically reviewed so that the fund balance reservation properly reflects the status of resources.

Management's Response

Management concurs. Loudoun County Government has these procedures in place, however, timely review and maintenance have been limited by the resources available.

Fixed Assets Process

D.1 Controls in place over equipment should be improved at both Loudoun County and the Loudoun County Public Schools

During our test work over fixed assets, we noted that no inventory of equipment has been performed during the last two years at the County or LCPS. This situation is due, in part, to the fact that there was no policy in place concerning the frequency of the inventory of equipment. Further, the existing policies and procedures did not address this issue for equipment purchased with federal awards. The administrators of some federal grant programs, such as Head Start, had instituted physical inventory procedures as required for equipment purchased with federal awards. Other grant administrators, however, were not aware of this compliance requirement and had not taken steps to establish the control activities necessary for attaining compliance. Furthermore, our compliance test work over the Emergency Preparedness Grant revealed that

the County had not developed policies and procedures to properly account for the disposal of equipment purchased with federal awards.

OMB Circular A-110 and the Compliance Supplement of OMB Circular A-133 require that the County maintain proper records for the equipment purchased with federal awards. In order to address this compliance requirement, a physical inventory of equipment must be periodically taken and compared to property records. Management should review the results of periodic inventory and follow up on all inventory discrepancies. Further, the Compliance Supplement of OMB Circular A-133 requires that the proceeds from the disposal of equipment purchased with federal funds be returned to the federal awarding agency or, should permission be granted by the federal cognizant agency, be credited to the program.

Policies and procedures should be established to ensure that equipment for both the County and LCPS is subject to at least a bi-annual inventory observation process. This process should also entail the evaluation of the condition of fixed assets. The general policies and procedures should specifically address fixed asset management related to equipment purchased with federal funds. Federal requirements for the equipment purchased with federal funds should also be included in any subrecipient agreements and, if necessary, be monitored periodically as part of the subrecipient monitoring process.

Management's Response

Management concurs. Loudoun County Government is reviewing current policies and procedures pertaining to fixed asset management. We anticipate that these comments will be incorporated into any future revisions. Loudoun County Public Schools currently provide an annual report to all locations. That location is to inventory all assets and provide explanation and documentation of any changes. All assets are tracked in the Loudoun County fixed asset system. This system maintains the information necessary to implement these changes.

Monitoring of Federal Grant Award Subrecipients

E.1 Subrecipient monitoring should be improved

During our compliance test work related to the Emergency Preparedness grant, we noted that there were no policies and procedures in place to ensure compliance with subrecipient monitoring compliance requirements. Because the County has not had any subrecipients prior to fiscal year 2003, we noted that the grant administrator was not aware of some of the compliance requirements related to this area. As a result, the County did not have an adequate desk review and on-site monitoring process in place for its subrecipients. Further, the subrecipient agreements for the Emergency Preparedness grant were not adequately designed, as they lacked the following information:

- Identification of the Catalog of Federal Domestic Assistance (CFDA) number for the grant;
- A clause prohibiting the subrecipients to contract with vendors suspended or debarred from conducting business with the federal government;
- A requirement for the subrecipients that receive funds in excess of \$100,000 to submit a suspension/debarment certification;
- A clause requiring the subrecipients to comply with the federal requirements for the equipment purchased with the pass-through federal awards; and

- A requirement to have an audit made in accordance with the requirements of OMB Circular A-133, if applicable.

OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, requires all government and non-profit entities expending \$500,000 or more (effective for 2003 and subsequent years) in federal awards during the fiscal year to have a single audit conducted and issue a report on that single audit no later than nine months after the end of the fiscal year. Entities that pass through monies to subrecipients must inform those subrecipients of this requirement, monitor their compliance with the audit requirement, and follow up on any findings identified in the single audit. The Compliance Supplement of OMB Circular A-133 identifies the subrecipient monitoring activities that should take place at the pass-through entity level. As a preliminary step for ensuring compliance with these requirements, the pass-through entity must adequately design the subrecipient agreement.

Failure to properly monitor subrecipients, including failure to ensure that subrecipients have their single audits performed within the required time frame, hampers the entity's ability to ensure that grants are used in accordance with program guidelines and regulations. Lack of proper subrecipient monitoring could cause the federal agency to suspend or terminate federal funding.

We recommend that the Loudoun County enforce its subrecipient monitoring procedures to ensure that required monitoring activities, including the notification to subrecipients of the requirement to have single audits performed and the receipt and review of the single audit reports, are performed within the required time frame. Instances of non-compliance must be followed up on and appropriate action taken. Further, instances of non-compliance must be properly reflected in the pass-through entity's records.

Management's Response

Management concurs. Loudoun County Government will incorporate the recommended changes to future subrecipient contracts.

Information Technology

F.1 Change control procedures should be enhanced and documented

During our review of the general information technology controls at the County, we noted that programmers/developers within DIT are not prevented from accessing data and software in the production environment, nor are they prevented from implementing changes directly into the production environment. As a result, there is a risk that unauthorized program changes can be made. Further, the ability to make program changes directly in the production environment de-emphasizes the importance of user testing, threatens data integrity, and can potentially affect system performance.

Loudoun County personnel stated that the County has an established policy that limits access to the production libraries and Job Control Language (JCL) to the minimum number of DIT staff, as authorized by the owner of each application. In addition, a procedure is in place to monitor on a periodic basis the modifications implemented into the production environment. DIT staff noted that, based upon current resources, DIT has assigned programmers with ownership for all the planned changes.

We believe these policies should be enhanced by the implementation of controls that enforce greater segregation of duties between the programmers/developers and operations personnel. Programmers/Developers should not be allowed to access, change, or move changes directly into the production environment without adequate supervision from operations personnel. The County should consider the following:

- Re-allocating resources in a manner that would segregate logistically and physically development staff and operation staff.
- Creating quality assurance controls that would require management authorization on all changes to production.

Additionally, we noted that although DIT has documented change control methodologies, based upon our review of the existing policies and interviews with key DIT staff, we concluded that the procedures used to implement change controls are carried out informally. As a result, there is no written documentation trail for change requests, authorization, testing, post implementation review, user training, etc.

We recommend that the County implement formal change control procedures, particularly as they relate to documentation of all program change activities. Further existing, change control policies should be reviewed to ensure they include documentation of all change requests on a program change request form, which should be authorized and approved prior to implementation by the user and an appropriate person in the production management department. Detailed requirements/standards for testing should also be documented for each significant change, including test results and sign-off.

Management’s Response

Management believes the existing change control procedures are in compliance with all of the change control procedures outlined in this comment. Management recognizes that a documented formalized policy that incorporates the existing procedures does not exist and that documentation that consistently demonstrates compliance with the procedures is currently based around exchanges of emails and other informal documentation. Management will initiate efforts to create the recommended policy and procedural documents.

Management recognizes the merits of the auditor’s comments with regard to access to data and moving computer programs into production. Management believes the risks associated with the current access and program implementation policies and procedures are mitigated by the small size of the County’s IT environment. Furthermore, the existing policy and procedure was developed with input from a prior year’s auditor. Management will work to further restrict system developers’ access to data and their ability move programs into production giving consideration to the cost / benefit of such changes.

F.2 User access should be periodically reviewed to ensure that user access rights are current and appropriate

County management has created information technology security policies that require security officers to conduct periodic reviews of user access for their departments to determine that user access rights are current and appropriate. However, there is no control in place that enforces this policy. As a result, the County has not addressed the risk that unauthorized users might gain access to the system and perform unauthorized functions, such as alter, delete or add data. During the course of our audit, we noted that DIT was in the process of drafting new policies that will require the security officers to submit a signed form in acknowledgement of their review of user access for their respective departments.

We recommend that the County implement and enforce the policies that require periodic reviews of user access rights.

Management’s Response

Management concurs with this recommendation. This recommendation has been implemented.

F.3 Physical access controls over the Department of Information Technology data center should be documented in writing

During our tour of the DIT data center, we noted that physical security controls exist. However, there is no written policy that documents the physical access controls over the County's DIT data center.

Appropriate physical security controls address the risk that unauthorized users gain access to the DIT data center and perform unauthorized functions. Therefore, physical security controls should be adequately designed and documented. We recommend that the County develop and implement a detailed policy on the physical security of the DIT data center. The policy should cover such topics as:

- Roles & Responsibilities
- Emergency Contacts and Numbers
- Rules of Behavior
- Identification Badges
- Hours of Operation
- Physical Access to the Building
- Emergency Procedures
- Visitor Registration
- Security Violation Reporting
- Restricted and/or Sensitive Areas of the Building, etc.

Management's Response

Management concurs with this recommendation. This recommendation has been implemented.

F.4 The Disaster Recovery Plan for Loudoun County should be documented and should properly address logistical risk

During the course of the fiscal year 2003 audit, the Loudoun County Disaster Recovery Plan was still in development. As part of the procedures performed for determining whether the County has the ability to resume effective operations in the event of a disaster, we noted that the offsite storage facility was located only one fourth of a mile from the DIT data center. This represents a significant logistical risk. Furthermore, there were no arrangements for an alternate processing site, although the County is considering the need for such an arrangement. This consideration takes an added importance due to the fact that the DIT data center facility is located within one mile of a municipal airport.

Lack of a comprehensive disaster recovery/business continuity plan poses a risk on the County's ability to continue as a going concern, provide the customary services to its constituents, and provide leadership in the event of a real disaster. It also prevents the County from utilizing a uniformed approach in restoring data and achieving continuity of operations. Recent industry surveys show that the majority of entities without an up-to-date disaster recovery plan fail to recover operations within one year of that disaster.

We recommend that the County relocate its off-site storage facility to a secured location that is at least five miles away from the DIT data center. Preferably, the off-site storage facility should be a licensed and bonded third party vendor who specializes in the storage and security of back-up tapes.

DIT should expedite its efforts in developing and implementing the County's Disaster Recovery Plan. The policies documented in the plan should include the following:

- Appointment of a central department responsible for county-wide disaster recovery/business continuity;
- Documented roles and responsibilities for each department and location;
- Inventory lists of current hardware, peripheral equipment, and software;
- Action plans, escalation trees, and designated responsibilities in the event of a disaster;
- Prioritization of system and application recovery in the event of a disaster;
- Alternative working practices in the event of a disruption of normal processing;
- "Hot-site" contracts with third parties for business continuity services;
- Insurance coverage on computer equipment, data, and facilities;
- Schedules for testing the continuity plan;
- Evacuation/Restoration plans for each department and location;
- Training over evacuation for disasters of varying degrees;
- List of emergency contact names and phone numbers;
- Listing of emergency department leads;
- Copies of the plan should be maintained off-site;
- Testing of the plan should be conducted on at least an annual basis. The results of such testing should be reviewed on a timely basis and corrective measures, if applicable, should be taken immediately. The testing of the plan should be conducted both separately for each location and in conjunction with the comprehensive test of the county-wide disaster recovery procedures. The accessibility and reliability of the off-site back-up tapes should also be examined at this time.

Management's Response

Management agrees that a County department should be designated with central responsibility for county-wide disaster recovery/business continuity and will do so. Management also believes that many components associated with the auditor recommended plan are in place. For example, every department has a contingency plan for operating without automation; inventory lists of hardware, peripheral equipment, and software exist; emergency contact lists are in place; insurance is in place; and action plans exist for some applications. DIT has been working with LCPS and a group of other Northern Virginia localities to identify and develop a disaster recovery location for computers. Some critical servers have been dispersed to multiple facilities and plans are in place to disperse others. Redundant data communications links have been implemented between key facilities and others are in the planning process.

Management recognizes the importance of disaster recovery/continuity planning and will continue initiatives to enhance such planning.

Contingency Management

G.1 The Department of Social Services should have a valid contingency management plan

During our compliance test work in accordance with the *Specifications for Audits of Counties, Cities, and Towns* (Specifications) issued by the Auditor of Public Accounts of the Commonwealth of Virginia, we noted that the County's Department of Social Services does not have a formal contingency management plan that would ensure the resumption of critical activities in the event of a business disruption.

Section 3-17 of the Specifications stipulates that each local agency is responsible for developing, implementing, and testing a contingency management plan that ensures the resumption of critical activities in the event of a business disruption.

We recommend that a written contingency management plan be developed and implemented by the Loudoun County Department of Social Services. Additionally, the plan should be tested periodically to ensure its adequacy for providing continued services in the event of a business disruption or other emergency.

Management's Response

Management concurs. The Department of Social Services is willing to work with the various divisions of Management Services, DIT, County Administration, General Services, Fire & Rescue, and the Virginia Department of Social Services to develop a contingency management plan. However, it must be noted that the success of any contingency plan will be based on the availability of the basic resources such as computers, phones, office space, and the ability to access case records as well as State and County electronic data files.

Procurement

H.1 Segregation of duties principles should be observed between the function of approving vendors and creating purchase orders

There are three users at Loudoun County who can create vendors within the system and approve purchase orders.

We recommend that the County implement controls that enforce proper segregation of duties between users who can approve vendors and users who can create purchase orders. These two functions should be separated.

Enforcing proper segregation of duties between the approval of vendors and the creation of purchase orders decreases the risk of fraud.

Management's Response

Management concurs. Loudoun County Government has implemented this procedure.