



## DEPARTMENT OF FORESTRY

# INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF MAY 2017

Auditor of Public Accounts  
Martha S. Mavredes, CPA

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Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

September 1, 2017

Bettina Ring, State Forester  
Department of Forestry  
900 Natural Resources Drive, Suite 800  
Charlottesville, VA 22903

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire, completed on May 3, 2017, for **Department of Forestry** (Forestry). The purpose of this review was to evaluate if the agency has developed adequate internal controls over significant organizational areas and activities and not to express an opinion on the effectiveness of internal controls. Management of the Department of Forestry is responsible for establishing and maintaining an effective control environment.

The Auditor of Public Accounts has developed a new process for auditing agencies that are not required to have an audit every year, which we refer to as "cycled agencies." Traditionally, we audit these agencies at least once every three years. We now employ a risk-based approach to auditing the cycled agencies. Under this approach, annually we will perform a risk analysis for all of the cycled agencies considering certain criteria and divide the agencies into two pools. One pool will receive an annual audit and the other pool will be subject to review in a special project focused on one area of significance as well as a review of internal controls in the form of a questionnaire. All agencies will undergo an Internal Control Questionnaire review at least once every three years. This letter is to communicate the results of the Internal Control Questionnaire review.

### Review Process

During the review, the agency completes an Internal Control Questionnaire that covers significant organizational areas and activities including payroll and human resources; revenues and expenses; procurement and contract management; and information technology and security. The questionnaire focuses on key controls over these areas and activities.

We review the agency responses and supporting documentation to determine the nature, timing, and extent of additional procedures. The nature, timing, and extent of the procedures selected depend on our judgment in assessing the likelihood that the controls may fail to prevent and/or detect events that could prevent the achievement of the control objectives. The procedures performed target risks or

business functions deemed significant and involve reviewing internal policies and procedures. Depending on the results of our initial procedures, we may perform additional procedures including reviewing evidence to ascertain that select transactions are executed in accordance with the policies and procedures and conducting inquiries with management. The “Review Procedures” section below details the procedures performed for Forestry. The results of this review will be included within our risk analysis process for the upcoming year in determining which agencies we will audit.

## **Review Procedures**

Due to the implementation of the new statewide accounting system, we reviewed system access and a selection of system and transaction reconciliations in order to gain assurance that the statewide accounting system contains accurate data.

We reviewed the Internal Control Questionnaire and supporting documentation detailing policies and procedures. As a result of our review, we performed additional procedures over the following areas: expenses, time and effort reporting, and inventory. These procedures included validating the existence of certain transactions; observing controls to determine if the controls are designed and implemented; reviewing transactions for compliance with internal and Commonwealth policies and procedures; and conducting further review over management’s risk assessment process.

As a result of these procedures, we noted areas that require management’s attention. These areas are detailed in the “Review Results” section below.

## **Review Results**

We noted the following areas requiring management’s attention resulting from our review:

- Forestry has not updated all policies and procedures to reflect the new statewide accounting system. In addition, Forestry does not have documented procedures for reconciling agency records to the statewide accounting system. Forestry should ensure there are current policies and procedures for all critical processes that include sufficient detail to allow someone new to the agency to follow the processes.
- Forestry is not regularly performing system access reviews for their internal accounting system. In addition, formal policies and procedures have not been approved and implemented for this process. According to the Commonwealth’s Security Standard, policies and procedures for system access should be documented and access reviews should be performed at least annually.
- Forestry contracted with an outside firm in 2016 to perform the required information security audits of their sensitive systems. Based on discussions with management, Forestry has not implemented corrective action for the ten recommendations included within the 2016 report. To ensure compliance with Commonwealth security standards, Forestry should implement the recommendations from the 2016 report.

We discussed these matters with management on July 10, 2017. Management's response to the findings identified in our review is included in the section titled "Agency Response." We did not validate management's response and, accordingly, cannot take a position on whether or not it adequately addresses the issues in this report.

This report is intended for the information and use of management. However, it is a public record and its distribution is not limited.

Sincerely,

Auditor of Public Accounts

JDE/alh

Bettina K. Ring  
State Forester



# COMMONWEALTH of VIRGINIA

## Department of Forestry

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September 18, 2017

Martha Mavredes  
PO Box 1295  
Richmond, VA 23218

Dear Ms. Mavredes,

Related to the Internal Control Questionnaire Review Results, the following are our Agency responses:

- Forestry has not updated all policies and procedures to reflect the new statewide accounting system implementation. In addition, Forestry does not have documented procedures for reconciling agency records to the statewide accounting system. Forestry should ensure there are current policies and procedures for all critical process which include sufficient detail to allow someone new to the agency to follow the processes.

*Agency response: The agency is currently updating our policies and procedures related to implementation of Cardinal, and we expect to have them completed and promulgated by December 2017 (Q2, FY18). Likewise, we have a draft document related to the reconciliation of agency records that we also expect to publish as a final document along with the Cardinal policies and procedures.*

- Forestry is not regularly performing system access reviews for their internal accounting system. In addition, no formal policies and procedures have been approved and implemented for this process. According to the Commonwealth's Security Standard, policies and procedures for systems access should be documented and access reviews should be performed at least annually.

*Agency response: The agency is currently updating our policies and procedures related to information technology access management, and we expect to have them completed and promulgated by December 2017 (Q2, FY18). The procedures will include a requirement for annual account review by the system owners.*

- Forestry contracted with an outside firm in 2016 to perform the required information security audits of their sensitive systems. Based on discussions with management, Forestry has not implemented corrective action for the 10 recommendations made in the 2016 report. To ensure compliance with Commonwealth security standards, Forestry should implement the recommendations in the 2016 report.

*Agency response: The DHG audit was completed August 23, 2016 and submitted to Commonwealth Security and Risk Management (CSRM). Staff prepared a corrective action plan in January 2017 that was not recorded with CSRM. The CAP indicates completion of item 1 and work in progress for item 10. Due to the departure of the former IS Director in January 2017, corrective action plan updates have not been submitted. The new IS Director will submit the last updated corrective action plan and work with appropriate staff to assess current status, update deadlines and complete outstanding items by March 2018 (Q3, FY18).*

Sincerely,

A handwritten signature in black ink that reads "Bettina K. Ring".

Bettina Ring  
State Forester

cc: Andres Alvarez, Chief of Administration