



DEPARTMENT OF JUVENILE JUSTICE

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF APRIL 2017

Auditor of Public Accounts
Martha S. Mavredes, CPA

www.apa.virginia.gov

(804) 225-3350



- TABLE OF CONTENTS -

Page

REVIEW LETTER

1-3

AGENCY RESPONSE

4-5



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

August 25, 2017

Andrew K. Block, Jr., Director
Department of Juvenile Justice
P.O. Box 1110
Richmond, Virginia 23218

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire, completed on April 21, 2017, for the **Department of Juvenile Justice** (Juvenile Justice). 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 Juvenile Justice 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 Juvenile Justice. 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: information technology and security, and fixed assets. 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:

- Juvenile Justice has not made sufficient progress to address the recommendation related to information technology and security that was issued as a result of our prior audit. We identified and communicated four specific items from the recommendation that were not fully addressed at the time of our review. These weaknesses were communicated to management in a separate document marked Freedom of Information Act Exempt under §2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. In addition, Juvenile Justice had its triannual information technology external audit completed in September 2016. During our review, we determined corrective action is still on going for five recommendations. Juvenile Justice should devote resources to addressing these recommendations and ensuring it is in compliance with the Commonwealth Security Standard.

- Juvenile Justice has not updated all desktop procedures to reflect the implementation of the new statewide accounting system, including its procedures for reconciling to the accounting system. Staff are currently referencing the Commonwealth Accounting Policies and Procedures (CAPP) Manual and the Department of Accounts website for specific procedures. CAPP Manual procedures alone do not eliminate the need and requirement for each agency to publish its own internal policies and procedures which are approved in writing by agency management. Juvenile Justice should continue to make updating its policies and procedures a priority in order to maintain an effective control environment. Juvenile Justice should also ensure the procedures contain sufficient detail to allow someone new to the agency to follow the process.

We discussed these matters with management on August 22, 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 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/clj



Andrew K. Block, Jr.
Director

COMMONWEALTH of VIRGINIA
Department of Juvenile Justice

P.O. Box 1110
Richmond, VA 23218
(804) 371.0700
Fax: (804) 371.6490
www.djj.virginia.gov

September 13, 2017

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

Dear Ms. Mavredes:

The following is the response to your Internal Control Questionnaire Review Results of the Department of Juvenile Justice (DJJ) completed on April 21, 2017.

FINDING: Juvenile Justice has not made sufficient progress to the recommendation related to information technology and information system security that was issued as a result of our prior audit. We identified and communicated four specific items from the recommendation that were not fully addressed at the time of our review. These weaknesses were communicated to management in a separate document marked Freedom of Information Act Exempt under §2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. In addition, Juvenile Justice had its triannual information technology external audit completed in September 2016. During our review, we determined corrective action is still on going for five recommendations. Juvenile Justice should devote resources to addressing these recommendations and ensuring it is in compliance with the Commonwealth Security Standard.

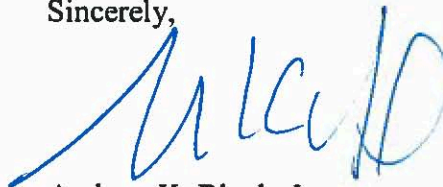
RESPONSE: Pertaining to the first audit finding, DJJ's IT group has specifically addressed and reconciled the four previous audit points from the 2016 APA (Auditor of Public Accounts) audit. Each of the four issues: SEC 501 compliant DJJ IT security program, no change management board, risk assessment process, annual executive level risk reporting, and updated business impact analysis/risk assessment were all integrated into the new security program and implemented/completed prior to August 8, 2017. In addition, the new audit point pertaining to BADGE access review by supervisors from the 2017 audit has been added to the DJJ security program, and necessary reporting capabilities have been added.

FINDING: Juvenile Justice has not updated all desktop procedures to reflect the implementation of the new statewide accounting system, including its procedures for reconciling to the accounting system. Staff are currently referencing the Commonwealth Accounting Policies and Procedures (CAPP) Manual and the Department of Accounts website for specific procedures. As CAPP Manual procedures alone do not eliminate the need and requirement for each agency to publish its own internal policies and procedures which are approved in writing by agency management, Juvenile Justice should continue to make updating its policies and procedures a priority in order to maintain an effective control environment. Juvenile Justice should also ensure the procedures contain sufficient detail to allow someone new to the agency to follow the process.

RESPONSE: The accounting unit has updated all desktop procedures for accounts payables, grants, accounts receivables, fixed assets, and payroll. The payroll desktop procedures will undergo a comprehensive update once Cardinal Payroll goes live next year. The accounting unit reconciles the Cardinal Financial System monthly according to the Cardinal Reconciliation Guidelines issued by the Department of Accounts and have been doing it that way since the CARS system was terminated. Bon Air Juvenile Correctional Center has wards accounts, bank reconciliations, and accountability reports for which desk procedures are currently being updated and will be completed by the end of the month.

Please feel free to contact us if you need any further responses, or if you have additional questions on concerns.

Sincerely,



Andrew K. Block, Jr.

cc: Daryl Francis, DJJ Deputy Director Finance & Admin.
Theodore Darden, DJJ Accounting Manager
Philip J. Anastasi, DJJ Information Technology Director