



DEPARTMENT OF ENVIRONMENTAL QUALITY

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF APRIL 2017

Auditor of Public Accounts
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Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
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November 13, 2017

David K. Paylor, Director
Department of Environmental Quality
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Richmond, Virginia 23218

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire, completed on April 20, 2017, for the **Department of Environmental Quality** (Environmental Quality). 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 Environmental Quality 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 Environmental Quality. 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: revenue collections; procurement and contract management; and information technology and security. 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:

- Environmental Quality should continue to make progress to address the findings related to information technology and security that were identified as a result of the information systems audit conducted by the Virginia Information Technologies Agency in March 2017. The audit identified and communicated 57 findings to management. Environmental Quality should devote resources to addressing these recommendations and ensuring it is in compliance with the Commonwealth’s Information Security Standard, SEC 501-09.

We discussed these matters with management on November 3, 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/alh



COMMONWEALTH of VIRGINIA

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November 20, 2017

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Auditor of Public Accounts
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AGENCY RESPONSE TO INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

Since the March 2017 issuance of the findings report for the Department of Environmental Quality (DEQ) information systems audit in which 57 findings were noted, DEQ has developed a detailed corrective action plan and remediation tracking process. DEQ has provided to Commonwealth Security regular (quarterly) updates on the status of our remediation efforts as well evidentiary artifacts wherever appropriate. Additionally, DEQ has entered into Memorandums of Understanding with the Virginia Information Technologies Agency (VITA) for both the Centralized ISO Security Services and IT Security Audit Services, with the expectation that those services will be leveraged to ensure that DEQ's information systems are kept in compliance with the Commonwealth's Information Security Standard.

It should be noted that DEQ concurs with only 56 of the 57 findings noted in the findings report.

For those 56 findings and as of November 15, 2017, DEQ has fully remediated 9 findings; work continues on the remediation of a further 14. DEQ fully anticipates having addressed all 56 findings by the end of June 2018.

A copy of the latest quarterly update as provided to Commonwealth Security as well as the current corrective plan status may be found attached to this agency response.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Garner', followed by a long horizontal line extending to the right.

Michael F Garner
Information Security Officer
Department of Environmental Quality