



## DEPARTMENT OF MILITARY AFFAIRS

# INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF APRIL 2017

Auditor of Public Accounts  
Martha S. Mavredes, CPA

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Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

August 11, 2017

Major General Timothy P. Williams, Adjutant General  
Department of Military Affairs  
316 Fort Pickett  
Blackstone, Virginia 23824

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire, completed on April 21, 2017, for the **Department of Military Affairs** (Military Affairs). 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 Military Affairs 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 Military Affairs. 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: contracting, and general fund expenses. 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:

- Military Affairs does not have current policies and procedures for all critical processes. We noted procedures that were outdated, some dating back to 2008, as well as procedures that have not been updated for the new statewide accounting system implementation. In addition, in some instances procedures were not sufficiently detailed. Military Affairs should update and formalize its current policies and procedures to ensure there is sufficient detail to allow someone new to the agency to follow the processes.
- Military Affairs is not using proper documentation to support reconciliations to the Commonwealth’s accounting and financial reporting system. Additionally, reconciliations did not contain sign offs for the preparer, reviewer, and approver.

Military Affairs should comply with the Commonwealth Accounting Policies and Procedures Manual Topic 20905 in completing reconciliations to the accounting system to ensure there is adequate documentation to support that the reconciliations are accurate, complete and have been appropriately reviewed and approved.

We discussed these matters with management on July 5, 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/clj



# COMMONWEALTH of VIRGINIA

MG TIMOTHY P. WILLIAMS  
THE ADJUTANT GENERAL

DEPARTMENT OF MILITARY AFFAIRS  
*Adjutant General's Office*  
*Virginia National Guard*  
*5901 Beulah Road*

SANDSTON, VIRGINIA 23150

## MEMORANDUM

TO: Auditor of Public Accounts, Attn: Martha Mavredes

FROM: Don Sutherland, Fiscal Director

SUTHERLAND

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Digitally signed by  
SUTHERLAND.DONALD.FEEL.1032384559  
DN: cn=US, o=U.S. Government, ou=DOD,  
ou=PM, ou=US,  
c=US, email=SUTHERLAND.DONALD.FEEL.1032384559  
Date: 2017.08.30 11:40:47 -0400

RE: Audit Report, DMA

DATE: 30 Aug 2017

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1. DMA concurs with the audit report as discussed in the exit conference and subsequent emails.
  2. DMA is diligently working on updating policies and procedures, and has embarked on an agency-wide task of developing continuity binders for all employees.
  3. We have already corrected our process for doing reconciliations and appreciate your guidance on locating the proper reference documents. Thank you for a very thorough and professional audit engagement and we look forward to your next review.