



STATE COMPENSATION BOARD

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF March 2024

Auditor of Public Accounts
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Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

March 22, 2024

Robyn de Socio, Executive Secretary
State Compensation Board
102 Governor Street
Richmond, Virginia 23219

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **State Compensation Board** (Compensation Board). We completed the review on March 8, 2024. 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 Compensation Board is responsible for establishing and maintaining an effective control environment.

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; capital assets; grants management; debt; and information technology and security. The questionnaire focuses on key controls over these areas and activities.

We review the agency's 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 the Compensation Board. 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

We evaluated the agency's corrective action for all prior review findings. The agency has taken adequate corrective action with respect to review findings reported in the prior review that are not repeated in the "Review Results" section below.

We reviewed a selection of system and transaction reconciliations in order to gain assurance that the statewide accounting system contains accurate data. The definitive source for internal control in the Commonwealth is the Agency Risk Management and Internal Control Standards (ARMICS) issued by the Department of Accounts (Accounts); therefore, we also included a review of ARMICS. Our review of the Compensation Board's ARMICS program included a review of all current ARMICS documentation and a comparison to statewide guidelines established by Accounts. Further, we evaluated the Compensation Board's process of completing and submitting attachments to Accounts.

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: payroll and human resources; expenses; and information technology and security. These procedures included validating the existence of certain transactions; observing controls to determine if the controls are effectively 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:

- **Partial Repeat** – The Compensation Board does not have fully completed risk management documentation for its four sensitive information systems. While the Compensation Board has made progress in completing some of the required risk management documentation, the agency has not fully completed all the required documentation for its sensitive systems. The Compensation Board should complete risk management documentation for all systems labeled as sensitive to protect the confidentiality, integrity, and availability of its sensitive systems and data.

We discussed these matters with management on March 14, 2024. 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,

LaToya D. Jordan
Deputy Auditor of Public Accounts

JDE/vks

JEFFREY PALMORE
CHAIRMAN

ROBYN DE SOCIO
EXECUTIVE SECRETARY



STACI HENSHAW
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EX-OFFICIO MEMBERS

COMMONWEALTH OF VIRGINIA

Compensation Board

P.O. Box 710
Richmond, Virginia 23218-0710

April 12, 2024

MEMORANDUM

TO: LaToya Jordan, Deputy Auditor of Public Accounts

SUBJECT: Agency Response to Internal Control Questionnaire Review Results

Thank you for the opportunity to review your preliminary Results Letter to the Compensation Board regarding the Internal Control Questionnaire Review for the fiscal year ended June 30, 2022 and to respond to the results noted in the report. The review results noted one item requiring management attention.

The Compensation Board is funded to work with the Virginia Information Technology Agency's centralized ISO services to manage and complete information security requirements. As noted in the review, the staff has worked with VITA's ISO services to complete some but not all of the required risk assessments for the agency's sensitive systems. Our staff will continue to work with ISO services to complete the remainder of the agency's required risk assessments of sensitive systems over the next several months.

Please let me know should you have any additional questions or need further information. I appreciate the professional cooperation and discussions with the auditors during this review.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robyn M. de Socio".

Robyn M. de Socio
Executive Secretary