



OFFICE OF CHILDREN'S SERVICES

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF JUNE 2021

Auditor of Public Accounts
Staci A. Henshaw, CPA

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Commonwealth of Virginia

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P.O. Box 1295
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November 12, 2021

Scott Reiner
Office of Children's Services
1604 Santa Rosa Road
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Richmond, VA 23229

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Office of Children's Services** (Children's Services). We completed the majority of the review on June 11, 2021; however, the information system security portion of the review was not completed until November 9, 2021. 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 Children's Services 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 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 Children's Services. 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 year 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. The level of ARMICS review performed was based on judgment and the risk assessment at each agency. At some agencies only inquiry was necessary; while others included an in-depth analysis of the quality of the Stage 1 Agency-Level Internal Control Assessment Guide, or Stage 2 Process or Transaction-Level Control Assessment ARMICS processes. Our review of Children's Services' ARMICS program included a review of all ARMICS documentation and a comparison to statewide guidelines established by Accounts. Further, we evaluated the agency'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: agreements with service providers, expenses, and information system 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:

- **Partial Repeat** - Children's Services does not have documented policies and procedures over procurement and contract management. The Department of General Services delegated procurement authority to Children's Services in November 2019. However, Children's Services has not yet developed policies and procedures over this area. In addition, Children's Services outsources preparation of financial documents to the Department of Education (Education) and the Department of Social Services (Social Services). During our review, we noted Children's Services performs a monthly reconciliation of Children's Services Act reimbursement payments made by Education to the localities. Children's Services should document the reconciliation performed as well as define what financial system reconciliations Education and Social Services perform on their behalf in its internal policies and procedures.

- **Partial Repeat** - Children's Services does not meet the minimum requirements documented in Accounts' ARMICS standards. While the agency is completing both an agency-level and transaction-level risk assessment of internal controls, Children's Services did not document and assess key elements of the control environment. While management has identified most of its' significant business processes, they did not identify and assess agency-level control activities applicable to all significant business processes and information systems. Management should re-evaluate its' current ARMICS process and ensure control activities applicable to all significant business areas and information systems are identified and included in the risk assessment. Further, management should ensure they are meeting the minimum requirements of Account's ARMICS standards prior to certifying ARMICS to Accounts.
- Children's Services does not have an updated Memorandum of Understanding (MOU) with Social Services. The existing MOU includes procurement services which Social Services no longer provides to Children's Services as of December 2019. The MOU states that the agencies should review the agreement at least bi-annually and that any changes to the MOU will be in writing and agreed to by the heads of both agencies. Children's Services should work with Social Services on updating the existing MOU to reflect changes in services no longer provided by Social Services. Children's Services should periodically review the MOU with Social Services to determine if significant changes have occurred.

We discussed these matters with management on August 12, 2021. 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,

Staci A. Henshaw
Auditor of Public Accounts

JDE/clj



COMMONWEALTH of VIRGINIA

Scott Reiner, M.S.
Executive Director

OFFICE OF CHILDREN'S SERVICES *Administering the Children's Services Act*

November 22, 2021

Staci Henshaw, CPA
Auditor of Public Accounts
James Monroe Building
101 North 14th Street, 8th Floor
Richmond, Virginia 23219

Re: Internal Control Questionnaire Review for the Office of Children's Services

Dear Ms. Henshaw,

I have received the Results Letter for our Internal Controls Questionnaire Review and appreciate the specific feedback regarding areas requiring management's attention. In response to these results, the Office of Children's Services (OCS) has initiated and/or completed the following actions:

Policies and Procedures

OCS has drafted and is presently finalizing internal procedures covering procurement and contract management. Additionally, the agency Business and Finance Manager has begun documenting the reconciliations of reimbursements to localities and other payments made on our behalf by the Virginia Departments of Education and Social Services.

ARMICS Processes

OCS has reviewed and improved its identification of control activities. OCS has also entered in a contract with an established contractor to review and redesign its entire ARMICS process prior to the next required submission in the fall of 2022.

Memorandum of Understanding (MOU) with the Department of Social Services

This MOU was reviewed, revised, and executed on August 31, 2021.

Thank you for the work of the auditors in evaluating our Internal Controls and identifying areas for improvement.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Reiner".

Scott Reiner
Executive Director