



# VIRGINIA DEPARTMENT OF HEALTH PROFESSIONS

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF MAY 2020

Auditor of Public Accounts  
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# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
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July 27, 2020

David E. Brown  
Virginia Department of Health Professions  
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## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Virginia Department of Health Professions** (Health Professions). We completed the review on May 26, 2020. 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 Health Professions 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; and debt. 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 Health Professions. 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 the prior year finding in the report titled "Cycled Agency Payroll Review Fiscal Year 2016." The agency has taken adequate corrective action with respect to this finding. The agency's corrective action for the information system security finding in the prior year Internal Control Questionnaire review will be evaluated in the special report over this area to be issued later this year.

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 Health Professions's ARMICS program included a review of Health Professions March 2020 quarterly status provided to the Department of Accounts' (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: payroll and human resources; revenues and expenses; contract management; and capital 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:

- Health Professions does not meet the minimum requirements of ARMICS. Accounts performed a quality control review in 2019 and noted non-compliance. In order to avoid duplication, we did not do a full review of ARMICS; however, we did review the March 2020 quarterly status provided to Accounts which indicated several corrective actions were ongoing. Health Professions should continue working to complete the entire ARMICS process including the agency-level assessment, the transaction-level assessment, and meeting all the minimum requirements of the Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 10305, and the ARMICS Standards.

- Health Professions’ process for confirming the accuracy of information reported to the Virginia Retirement System does not include a reconciliation of creditable compensation between the Commonwealth’s human resources system and the Commonwealth’s retirement benefits system. CAPP Manual Topic 50410 requires that agencies perform a reconciliation of credible compensation before confirming the accuracy of data in the retirement benefits system in order to ensure that employee’s retirement data is accurate. Health Professions should incorporate the reconciliation of creditable compensation between the Commonwealth’s human resources system and the Commonwealth’s retirement benefits system into their retirement reconciliation procedures.

We discussed these matters with management on July 17, 2020. 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,

Martha S. Mavredes  
Auditor of Public Accounts

JDE\vks



# COMMONWEALTH of VIRGINIA

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August 7, 2020

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P.O. Box 1295  
Richmond, VA 23218

Dear Ms. Mavredes:

The Department of Health Professions (DHP) appreciates the opportunity to respond to the results of the Internal Control Questionnaire review performed by your staff for fiscal year ending June 30, 2019. Your staff was a pleasure to work with during the review. They were thorough, knowledgeable and engaged throughout the review, keeping communication open and productive.

DHP agrees with the audit team's observations as written and would like to offer these comments in response. DHP is actively working on ARMICS testing. We have maintained an agency-level assessment and a transaction-level assessment since 2008. DHP is currently working on improving ARMICS test work processes and has expanded testing into other areas.

DHP has a Memorandum of Agreement (MOA) between DHP and the Department of Human Resource Management (DHRM). DHP is working with DHRM to improve communication and collaboration so that responsibilities are clear. DHP has a working group comprised of DHP and DHRM staff members currently working on the creditable compensation reconciliation to include procedures and other best practices to ensure that CAPP Topic requirements are met.

DHP is committed to excellence and continuous improvement, so we welcome the opportunity for APA to inform agency staff on best practices and internal controls. Again, thank you and your staff for the high level of professionalism and cooperation during this review.

Sincerely,

David E. Brown, D.C.  
Director

cc: Lisa Russell Hahn, Chief Operating Officer  
Anita B. Watkins, Director of Accounting  
Ashley Reed, Internal Control Manager

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