



DEPARTMENT OF CRIMINAL JUSTICE SERVICES

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF MAY 2017

Auditor of Public Accounts
Martha S. Mavredes, CPA

www.apa.virginia.gov

(804) 225-3350



- TABLE OF CONTENTS -

Page

REVIEW LETTER

1-3

AGENCY RESPONSE

4-5



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

September 25, 2017

Francine Ecker, Executive Director
Department of Criminal Justice Services
1100 Bank Street
Richmond, VA 23219

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire, completed on May 5, 2017, for the **Department of Criminal Justice Services** (Criminal Justice). 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 Criminal Justice 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 Criminal Justice. 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: information technology and security, and monitoring of and compliance with laws, regulations, and grant agreements. 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:

- Criminal Justice does not have current up to date policies and procedures for all critical processes including accounting system reconciliations. During our review, we noted some of the agency’s policies and procedures had not been updated to reflect the new statewide accounting system. Policies and procedures should incorporate the new system to enable users to efficiently and effectively navigate the system. Criminal Justice should continue to update and formalize its policies and procedures to ensure there is sufficient detail to allow someone new to the agency to follow the processes.
- Criminal Justice submitted its 2016 Agency Risk Management and Internal Control Standards (ARMICS) Certification Statement to the Department of Accounts (Accounts) stating the agency did not conduct its assessment of the effectiveness of internal controls in accordance with the ARMICS standards issued by the Office of the Comptroller. The agency has taken

steps to improve its process and to meet Accounts' ARMICS standards. However, corrective action is still ongoing. Criminal Justice should continue working to improve its ARMICS process to ensure compliance with Accounts' ARMICS review standards.

- Criminal Justice does not have documented policies and procedures or controls in place surrounding information technology and information system security. We identified five specific areas of weaknesses which were communicated to management in a separate document marked Freedom of Information Act Exempt under §2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. Criminal Justice should devote resources to addressing these weaknesses and ensuring it is in compliance with the Commonwealth's Information Security Standard, SEC 501-09.

We discussed these matters with management on August 11, 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/clj



COMMONWEALTH of VIRGINIA

Department of Criminal Justice Services

Francine C. Ecker
Director

1100 Bank Street
Richmond, Virginia 23219
(804) 786-4000

September 25, 2017

TO: Jennifer Eggleston, Director, PeopleSoft Specialty Team
Melissa Burk, Senior Auditor, Reporting & Standards Specialty Team
Lauren Figg, Senior Auditor, Strategic Risk Management Specialty Team

FROM: John Colligan, Director of Finance and Administration, Department of Criminal Justice Services
Monica Darden, Chief Financial Officer, Department of Criminal Justice Services

RE: Response to Results of Internal Control Questionnaire Review conducted from
May 1st – May 5th, 2017

Thank you for the opportunity to respond to your most recent review of the Internal Controls of the Department of Criminal Justice Services (DCJS). We appreciate your providing notice of your observations as we are actively addressing the majority of them as described below.

Policies and Procedures

The Financial Services section of DCJS is in the process of updating all key financial processes and desk procedures to include Cardinal references as part of an overall update of financial processes to accurately reflect how processes are currently being carried out. We anticipate having this completed by February 2018.

Information System Security

The Agency has entered into an agreement with the Virginia Information Technology Agency (VITA) for VITA to provide documentation and audit support so that DCJS will be compliant with VITA data security policy. VITA will provide services to perform and document Business Impact Analysis (BIAs) and System Security Plans/Risk Assessments for its sensitive systems. This agreement covers a period of three years (FY 17 – FY 19), during which we are working with VITA toward compliance.

A periodic review of temporary employee access is being completed by Agency Human Resources (HR) and Information Technology (IT) services. Additionally, HR sends an "Employee Update" to alert select Agency staff of hires and separations to ensure appropriate action is taken regarding payroll, technology, and facility access. Finally, upon hire, all employees receive a copy of the Commonwealth's Cyber Security Awareness Training and sign an Acknowledgment of Receipt Form. Going forward, all employees will annually, every January, receive a review of the Commonwealth Cyber Security Awareness Training and acknowledgment receipt of the training.

Criminal Justice Services Board • Committee on Training • Advisory Committee on Juvenile Justice and Prevention
Advisory Committee to the Court Appointed Special Advocate and Children's Justice Act Programs
Advisory Committee on Sexual and Domestic Violence • Private Security Services Advisory Board

www.dcjs.virginia.gov

Cardinal Reconciliations

While updating our Financial Services desk procedures, a step by step procedure will be documented to include Cardinal Reconciliations and our adherence to CAPP Manual Topic 20905.

Agency Risk Management and Internal Control Standards (ARMICS)

DCJS has contracted with an outside contractor to perform its ARMICS review. The final report is expected to be complete by November 15, 2017. The agency is concurrently working to address known internal control weaknesses and ensuring the required standards are completed and remain an ongoing part of our business process.

Thank you and your staff for the hard work and professionalism shown during this review. Should you require any additional information, please contact Monica Darden at (804) 786.4245.