DEPARTMENT OF AVIATION

INTERNAL CONTROL QUESTIONNAIRE
REVIEW RESULTS
AS OF FEBRUARY 2024

Auditor of Public Accounts
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Commonwealth of Virginia

Auditor of Public Accounts

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April 19, 2024

Greg Campbell, Director
Department of Aviation
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INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Department of Aviation** (Aviation). We completed the review on February 26, 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 Aviation 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 Aviation. 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. The level of ARMICS review performed was based on judgment and the risk assessment for Aviation. Our review of Aviation's ARMICS program included a review of all current ARMICS documentation and a comparison to statewide guidelines established by Accounts. Further, we evaluated Aviation'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; contract management; capital assets; grants management; 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:

- **Repeat** – Aviation has formal, documented policies and procedures over most of its significant business processes. However, during our review, we identified several business areas where Aviation should develop or expand policies and procedures to maintain an effective control environment. Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 20905 and other sections require each agency to "publish its own policies and procedures documents, approved in writing by agency management." Management should ensure detailed policies and procedures exist for all critical business areas.

- **Partial Repeat** – Aviation does not have a formal process to manage its third-party Software as a Service (SaaS) provider that falls under the purview of the Virginia Information Technologies Agency's (VITA) Enterprise Cloud Oversight Service (ECOS) as noted in our prior report. Aviation is making progress to resolve this finding; however, corrective action is still on-going. Since the prior review, Aviation has obtained a formal memorandum of understanding with VITA and plans to implement the formal process for managing its third-

party providers in June 2024. Aviation should properly implement and document this process.

- **Partial Repeat** – Aviation's information technology Risk Management (RM) and Contingency Planning (CP) process and documentation is incomplete and does not include certain attributes needed to effectively evaluate and implement necessary information security controls in accordance with the Commonwealth's Information Security Standard, SEC501 (Security Standard) as noted in our prior report. Aviation is making progress to resolve this finding; however, corrective action is still on-going. Since the prior review Aviation has begun to compile policies and procedures surrounding its RM and CP process and compile security control documents over its systems. Aviation should complete its RM and CP documentation and implement all necessary security controls.

- **Partial Repeat** – Aviation does not manage security controls over one sensitive system in accordance with best practices as noted in our prior report. Aviation is making progress to resolve this finding; however, corrective action is still ongoing. Since the prior review, Aviation has completed most of the required control documents, but still needs to finalize these documents and finish implementing the controls. Aviation should finalize the documentation and implement the required controls.

- **Partial Repeat** – Aviation is not properly monitoring their contracts, specifically tracking payments made against contracts and documenting contractor administration duties. While Aviation has implemented a process for tracking payments made against a contract, for the one contract tested, there were no payments tracked within the payment log maintained by Aviation. Additionally, Aviation has formally documented the contractor administrator's responsibilities. However, Aviation does not maintain supporting documentation showing the contract administrator has fulfilled the responsibilities. Aviation should ensure that the payment log maintains all payments made for all contracts. Additionally, Aviation should ensure that there is sufficient supporting documentation showing contract administrators perform all their required responsibilities.

- Aviation does not have the appropriate controls in place to monitor audit logs over its sensitive systems. Aviation plans to have the appropriate controls in place by June 2024. While Aviation plans to implement these controls, the agency is not currently performing these duties. Aviation should document and implement the planned controls.

- Aviation is not properly reviewing all the necessary reports or completing reconciliations between the Commonwealth's human resources system and retirement benefits system. Specifically, management does not review the Centralized State Systems – Cancelled Records Report, the Billings Exceptions and Summary Report, or have support showing evidence of a reconciliation of data elements between the human resources system and the retirement benefits system. Aviation should update policies and procedures over this area, review the

required reports, and perform all required reconciliations detailed within CAPP Manual Topic 50470.

- Aviation has a policy and process in place for completing user access reviews. However, Aviation does not maintain documentation of these user access reviews. The Security Standard requires organizations to review, on an annual basis, the privileges assigned to all users to validate the need for such privileges. Aviation should retain sufficient supporting documentation to provide evidence of user access reviews.

We discussed these matters with management on March 5, 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,

Staci A. Henshaw
Auditor of Public Accounts

JDE/clj

COMMONWEALTH OF VIRGINIA

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May 7, 2024

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RE: DOAV Internal Control Questionnaire Review Results

We have received the APA's Internal Control Questionnaire Review Results for our agency. We thank the APA audit staff for their time and efforts in assessing our agency's compliance with Commonwealth rules and regulations and welcome the constructive feedback. The following information will provide us guidance as we work to improve our existing processes.

Please see our responses, in red, to the noted findings.

- **Repeat** – Aviation has formal, documented policies and procedures over most of its significant business processes. However, during our review, we identified several business areas where Aviation should develop or expand policies and procedures to maintain an effective control environment. Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 20905 and other sections require each agency to "publish its own policies and procedures documents, approved in writing by agency management." Management should ensure detailed policies and procedures exist for all critical business areas. Agency Response: The agency concurs with this finding. To correct this deficiency, the agency has recently restructured its finance and administration area. The development, monitoring and updating of policies and procedures for business processes has been assigned to the Administration and Finance Manager and is part of the Employee Work Profile.

- **Partial Repeat** – Aviation does not have a formal process to manage its third-party Software as a Service (SaaS) provider that falls under the purview of the Virginia Information Technologies Agency's (VITA) Enterprise Cloud Oversight Service (ECOS) as noted in our prior report. Aviation is making progress to resolve this finding; however, corrective action is still on-going. Since the prior review, Aviation has obtained a formal memorandum of understanding with VITA and plans to implement the formal process for managing its third-party providers in June 2024. Aviation should properly implement and document this process. Agency Response: The agency concurs with the finding and is working to address the implementation of the policy and process by end of June 2024.
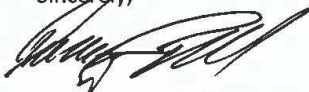
- **Partial Repeat** – Aviation's information technology Risk Management (RM) and Contingency Planning (CP) process and documentation is incomplete and does not include certain attributes needed to effectively evaluate and implement necessary information security controls in accordance with the Commonwealth's Information Security Standard, SEC 501 (Security Standard)as noted in our prior report. Aviation is making progress to resolve this finding; however, corrective action is still on-going. Since the prior review Aviation has begun to compile policies and procedures surrounding its RM and CP process and compile security control documents over its systems. Aviation should complete their RM and CP documentation and implement all necessary security controls. Agency Response: The agency concurs with the finding and is working to address the implementation of the policy and process by end of June 2024.

- **Partial Repeat** – Aviation does not manage security controls over one sensitive system in accordance with best practices as noted in our prior report. Aviation is making progress to resolve this finding; however, corrective action is still on-going. Since the prior review, Aviation has completed most of the required control documents, but still needs to finalize these documents and finish implementing the controls. Aviation should finalize the documentation and implement the required controls. Agency Response: The agency concurs with the finding and is working to address the implementation of the policy and process by end of June 2024.

- **Partial Repeat** – Aviation is not properly monitoring their contracts, specifically tracking payments made against contracts and documenting contractor administration duties. While Aviation has implemented a process for tracking payments made against a contract, for the one contract tested there were no payments tracked within the payment log maintained by Aviation. Additionally, Aviation has formally documented the contractor administrator responsibilities. However, Aviation does not maintain supporting documentation showing the contract administrator has fulfilled the responsibilities. Aviation should ensure that the payment log maintains all payments made for all contracts. Additionally, Aviation should ensure that there is sufficient supporting documentation showing contract administrators perform all their required responsibilities. Agency Response: The agency concurs that additional oversight is required in monitoring contracts. In response to this finding, contract administrators are now required to complete the vendor assessment form and return to the procurement manager for retention. Additionally, the Procurement Manager is providing copies of purchase orders issued on a weekly basis to the Financial Services Accountant to maintain a listing and record payments when made.

- Aviation does not have the appropriate controls in place to monitor audit logs over its sensitive systems. Aviation plans to have the appropriate controls in place by June 2024. While Aviation plans to implement these controls, they are not currently performing these duties. Aviation should document and implement the planned controls. Agency Response: The agency concurs with the finding and is working to address the implementation of the policy and process by end of June 2024.

- Aviation is not properly reviewing all the necessary reports or completing reconciliations between the Commonwealth's human resources system and the retirement benefits system. Specifically, management does not review the Centralized State Systems – Cancelled Records Report, the Billings Exceptions and Summary Report, or have support showing evidence of a reconciliation of data elements between the human resources system and the retirement benefits system. Aviation should update policies and procedures over this area, review the required reports and perform all required reconciliations detailed within CAPP Manual Topic 50470. Agency Response: The agency concurs with this finding. We are in the process of updating our existing VNAV reconciliation process to reflect additional reports requiring review for reconciliation with the Cardinal HCM system.

- Aviation has a policy and process in place for completing user access reviews. However, Aviation does not maintain documentation of these user access reviews. The Security Standard requires organizations to review, on an annual basis, the privileges assigned to all users to validate the need for such privileges. Aviation should retain sufficient supporting documentation to provide evidence of user access reviews. Agency Response: The agency concurs with the finding and is working to address the implementation of the policy and process by June 2024.

We very much appreciate the time and effort of the APA audit team and the opportunity to improve our processes moving forward.

Sincerely,

Greg W. Campbell
Director

cc: Laurie Brown, DOAV, Administration & Operations Manager
    John Saul, DOAV, IT Manager
    Scott Reynolds, APA, Auditor
    Jennifer Eggleston, APA, Director, Risk Analysis and Monitoring

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