



DEPARTMENT OF CONSERVATION AND RECREATION

INTERNAL CONTROL QUESTIONNAIRE

REVIEW RESULTS

AS OF

JULY 2023

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 3, 2023

Matthew Wells, Director
Department of Conservation and Recreation
600 East Main Street
Richmond, Virginia 23219

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Department of Conservation and Recreation** (Conservation and Recreation). We completed the review on July 20, 2023. 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 Conservation and Recreation 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 Conservation and Recreation. 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 2019 internal control questionnaire review findings as well as the findings in the reports titled "[Department of Conservation and Recreation audit of Capital Assets as of June 30, 2017](#)," "[Department of Conservation and Recreation for the year ended June 30, 2020](#)," and "[Cycled Agency Information Systems Security Review for the year ended June 30, 2020](#)." The agency has taken adequate corrective action with respect to findings reported in the prior review and audits 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 Conservation and Recreation. Our review of Conservation and Recreation's ARMICS program included a review of all current ARMICS documentation and a comparison to statewide guidelines established by Accounts. Further, we evaluated Conservation and Recreation'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; 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** – Conservation and Recreation bases its information security policies and procedures on the Commonwealth's Information Security Standard, SEC 501-09, that is no longer valid. The Commonwealth's Information Security Standard, SEC 501-12 (Security Standard) supersedes Conservation and Recreation's current Security Standard. Additionally, Conservation and Recreation has not implemented a process to conduct an annual review of information security policies and procedures to ensure that the policies and procedures contain processes to support control requirements that reflect its current information technology (IT) environment and mandate effective implementation of information security controls. The Security Standard requires that agencies perform a review of IT policies on an

annual basis, or more frequently if required to address environmental changes. Conservation and Recreation should revise and update all information security policies and procedures to align with the requirements in the current Security Standard version. Conservation and Recreation should also develop a process to annually review and update all information security policies and procedures and document the review to maintain a revision history.

- **Repeat** – Conservation and Recreation has made progress since the prior year audit by documenting a process for testing disaster recovery procedures within the IT Disaster Recovery Plan; however, Conservation and Recreation continues to not properly test their IT Disaster Recovery Plan, as required by the Security Standard. Conservation and Recreation should implement the documented process for annual testing of the IT Disaster Recovery Plan and participate in the annual tabletop exercises listed within the IT Disaster Recovery Plan to ensure timely restoration of mission essential functions in the event of a disaster.
- **Repeat** - Conservation and Recreation continues to not have appropriate controls in place to ensure that logical access to its systems complies with the requirements of the Security Standard and Conservation and Recreation’s information security policies and procedures. Conservation and Recreation made progress in remediating three out of the four weaknesses identified in the prior year’s audit. Specifically, Conservation and Recreation created and implemented a process to annually review system access for both sensitive systems, Conservation and Recreation retains documentation of system access reviews, and Conservation and Recreation has documented procedures in place for system access requests. However, for three out of three (100%) former employees tested who had information system access, Conservation and Recreation did not remove access within 24 hours of employment termination. All three employees retained access for three to four months after employment termination. Conservation and Recreation should ensure that it removes system access within 24 hours of an employee’s termination date.
- **Repeat** – Conservation and Recreation has formal, documented policies and procedures over its significant business processes. However, during our review, we identified several business areas where policies and procedures were outdated. Business areas needing updates include payroll processes, capital outlay, and statement of economic interests. Topic 20905 and other sections of the Commonwealth Accounting Policies and Procedures (CAPP) Manual require each agency to “publish its own policies and procedures documents, approved in writing by agency management.” Management should ensure that updated detailed policies and procedures exist for all critical business areas. In addition, management should continue to develop a process to review and approve all policies and procedures either annually or as needed and maintain documentation of the process.
- **Repeat** – Conservation and Recreation did not record asset additions timely for two out of 13 (15%) assets reviewed. CAPP Manual Topic 30205 requires all assets, except in unusual

circumstances, be posted within 30 days after receipt and acceptance of the assets. Management should ensure that the personnel responsible for capital assets understand the importance of timely asset recording and record all asset additions within 30 days of receipt and acceptance.

- **Repeat** - Conservation and Recreation did not have an asset tag on one of the 13 (8%) assets reviewed. CAPP Manual Topic 30505 requires a unique identification number for each capital asset equipment item, to account for and identify the asset within the Commonwealth's capital asset system. Management should ensure that capital asset coordinators responsible for receiving and tagging assets understand the importance of asset tagging and management should review tags as part of the physical inventory process.
- Conservation and Recreation does not have a formal process for reviewing third-party service providers' System and Organization Controls (SOC) reports. Specifically, Conservation and Recreation did not review SOC reports for one of its third-party service providers prior to the period of our review. CAPP Manual Topic 10305 and the Security Standard require agencies to have an adequate level of interaction with third-party providers to obtain an understanding of the providers' internal control environments as well as any required complementary controls the agency would need to implement. Agencies must also maintain oversight of the provider to gain assurance over outsourced operations. Conservation and Recreation should develop policies and procedures for the review of SOC reports and ensure it obtains and evaluates SOC reports timely.
- Conservation and Recreation does not have policies and procedures for off-boarding employees when an employee terminates. For six of six (100%) terminated employees tested there were no off-boarding checklists or any other support to show removal of systems access or return of state property. In addition, Conservation and Recreation does not have proper documentation for employee disbursements made after termination. For four of five (80%) employees reviewed there was no support or approval for amounts paid after termination. Management should develop policies and procedures for off-boarding employees to include an off-boarding checklist. Also, management should retain adequate documentation to support all payments to terminated employees and review and approve all payments prior to payment.
- Conservation and Recreation does not have evidence to show that it is properly reconciling the human resources system and the Commonwealth's retirement benefits system prior to confirming the accuracy of retirement benefits data. Specifically, management does not have documentation to show review of the Centralized State Systems-Cancelled Records Report, or to show evidence of a reconciliation of data elements or credible compensation. CAPP Manual Topic 50470 details the requirements for reconciling retirement data before the agency confirms the data. Conservation and Recreation should reconcile retirement data in

accordance with requirements in the CAPP Manual before confirming the accuracy of the data each month.

- Conservation and Recreation is not properly accounting for leases in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87. Conservation and Recreation did not follow the correct procedure for determining the interest rate to report and did not evaluate and record the group of leased assets with the same contracted vendor, lease term, and interest rate. In addition, Conservation and Recreation does not have an established process for ongoing identification of leases. CAPP Manual Topic 31200, which references GASB Statement No. 87, requires agencies to group leases for recording in the Commonwealth's lease system based on the lease vendor, lease term, and interest rate to ensure proper classification of long-term and short-term leases; and to evaluate explicit, implicit, and incremental borrowing rates before defaulting to the prime rate for a reasonable and accurate interest rate. Management should develop lease procedures that comply with GASB Statement No. 87 and properly identify, record, and classify leases in accordance with this standard.
- Conservation and Recreation has several departments and parks who are not performing financial system reconciliations in a timely manner. The departments and parks completed the reconciliations from one day to six months late. Management should ensure departments and parks complete financial system reconciliations in a timely manner.

We discussed these matters with management on September 29, 2023, and October 26, 2023. 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/vks

Travis A. Voyles
Secretary of Natural and Historic Resources

Matthew S. Wells
Director

Andrew W. Smith
Chief Deputy Director



COMMONWEALTH of VIRGINIA
DEPARTMENT OF CONSERVATION AND RECREATION

Frank N. Stovall
Deputy Director for Operations

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Deputy Director for Administration and Finance

November 16, 2023

Ms. Staci A. Henshaw, CPA
The Auditor of Public Accounts
P. O. Box 1295
Richmond, Virginia 23218

Dear Ms. Henshaw:

The Department of Conservation and Recreation (DCR) appreciates the opportunity to respond to the Auditor of Public Accounts (APA) Internal Control Questionnaire Review. The opportunities identified in the review will further assist DCR in maintaining an effective control environment going forward. The DCR concurs with all facts contained in the report and has begun implementing the necessary corrective actions.

I would personally like to state our appreciation for the level of professionalism and guidance provided by you and your staff throughout this engagement.

Please contact me should you have any questions or concerns.

Sincerely,

A handwritten signature in blue ink that reads "Matthew S. Wells".

Matthew S. Wells
DCR Director

600 East Main Street, 24th Floor | Richmond, Virginia 23219 | 804-786-6124

*State Parks • Soil and Water Conservation • Planning and Recreation Resources
Natural Heritage • Dam Safety and Floodplain Management • Land Conservation*