



DEPARTMENT OF
RAIL AND PUBLIC TRANSPORTATION

INTERNAL CONTROL QUESTIONNAIRE
REVIEW RESULTS
AS OF JULY 2021

Auditor of Public Accounts
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Commonwealth of Virginia

Auditor of Public Accounts

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P.O. Box 1295
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October 12, 2021

Jennifer Mitchell, Director
Department of Rail and Public Transportation
600 East Main Street
Richmond, VA 23219

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Department of Rail and Public Transportation** (Rail and Public Transportation). We completed the review on July 16, 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 Rail and Public Transportation 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 Rail and Public Transportation. 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.

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 Rail and Public Transportation's ARMICS program included a review of the FY2020 Annual Certification and supporting documentation as provided to 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, expenses, grants management, 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:

- Rail and Public Transportation does not maintain up-to-date policies and procedures, showing written approval by management, for all business areas. Specifically, we noted:
 - Rail and Public Transportation's policy over employee Statements of Economic Interest (SOEI) is not consistent with Code of Virginia § 2.2-3114A and § 2.2-3118.2 that require that applicable employees submit an SOEI on or before the first day of employment. The current procedure states that the SOEI form is due within 30 days of the start of employment, which does not align with the Code of Virginia. To ensure compliance with the Code of Virginia, Rail and Public Transportation should update its internal SOEI policy to ensure that individuals occupying positions of trust complete SOEI forms on or before the first day of assuming employment.

- Several Rail and Public Transportation policies or procedures do not contain evidence of management's review in the prior three years. Rail and Public Transportation should implement regular and systematic reviews of all policies and procedures and ensure that policies are up to date.

We discussed these matters with management on September 8, 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/vks



COMMONWEALTH of VIRGINIA

Jennifer L. Mitchell
Director

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October 28, 2021

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The department received the draft results letter of the internal control questionnaire review on October 12, 2021 and confirms the accuracy of the findings. In response to the findings, the department elects to provide the additional information below:

- The Statement of Economic Interest (SOEI) policy has been revised to include that a SOEI form, if required, must be submitted on or before an employee's first day of employment.
- The department will implement a policy for division chiefs to review and sign off on significant policies and procedures maintained within their sections and incorporate GASB Statement No.87 into the lease policy.
- The department will partner with DHRM to ensure the monthly reconciliation process of credible compensation between the HR system and retirement benefit system is complete. Additionally, the department is currently recruiting to hire a Human Resources Manager to assume these responsibilities and ensure compliance.

Please distribute the final report to the following:

Jennifer L. Mitchell, Director – j.mitchell@drpt.virginia.gov

Tanyea Darrisaw, Chief Financial Officer – tanyea.darrisaw@drpt.virginia.gov

Please let me know if the department can offer any further assistance.

Sincerely,

A handwritten signature in cursive script that reads "Jennifer L. Mitchell".

Jennifer L. Mitchell