



DEPARTMENT OF PROFESSIONAL AND OCCUPATIONAL REGULATION

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF JUNE 2021

Auditor of Public Accounts
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July 20, 2021

Mary Broz-Vaughan
Department of Professional and Occupational Regulation
9960 Mayland Drive
Richmond, Virginia 23233

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Department of Professional and Occupational Regulation** (Professional and Occupational Regulation). We completed the review on June 3, 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 Professional and Occupational Regulation 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 Professional and Occupational Regulation. 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 findings in the report titled "Cycled Agency Information Systems Security Review"; except for the finding titled "Ensure IT Security Audits are Performed," as corrective action was still ongoing for this finding. The agency has taken adequate corrective action with respect to all findings reported in the prior year 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 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 Professional and Occupational Regulation's ARMICS program included a review of all current ARMICS documentation and a comparison to statewide guidelines established by 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; 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 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** - Professional and Occupational Regulation was not able to provide documentation showing that certain database logs are being reviewed. Management should document their review of these logs or obtain an agreement with the Virginia IT Agency (VITA) for database administration services that covers review of these logs, if outsourcing the process.
- Professional and Occupational Regulation has formal, documented policies and procedures over its significant business processes. However, a formal review process should be implemented to ensure policies and procedures remain current. We noted policies and

procedures in several areas did not have documented reviews for several years, with the most recent revisions ranging from May 2019 to November 2012.

- Professional and Occupational Regulation is not addressing items reported on the Virginia Retirement System exception list timely. Three discrepancies remain dating back to July 2018, September 2019, and December 2020. Management should ensure these exceptions are addressed timely.
- Professional and Occupational Regulation is reconciling agency records to the Commonwealth's accounting and reporting system; however, the expenditure reconciliation does not include program which is a required element per the Commonwealth Accounting Policies and Procedures (CAPP) Manual. Management should ensure that reconciliations are prepared in accordance with CAPP Topic 20905.
- One sensitive system uses a software version that is currently unsupported. Professional and Occupational Regulation is currently planning to replace the system and has recently requested an exception from VITA for the use of this unsupported version to ensure compliance with the Commonwealth Security Standard. Management should work with VITA to determine if any additional security measures should be put in place to reduce the risk of this unsupported technology.

We discussed these matters with management on June 16, 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/clj



COMMONWEALTH of VIRGINIA

Department of Professional & Occupational Regulation

Ralph S. Northam
Governor

Mary Broz-Vaughan
Director

September 9, 2021

Staci A. Henshaw, CPA

Auditor of Public Accounts
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Richmond, VA 23218

Re: Agency Response to Internal Control Questionnaire Review Results

Dear Ms. Henshaw:

Thank you for the opportunity to review and comment on the findings identified in the "Results Letter." During the period of the Internal Control Questionnaire review, we were pleased to work with your courteous and professional staff.

In response to the reported observations and recommended improvements, please note the agency's actions to date:

- Based on the item related to review of certain database logs, DPOR purchased a product to monitor, audit, and alert on the applicable system. The solution will allow the Information Security Officer (ISO) to **document the review of audit logs** generated from the referenced database. This is in addition to monthly reviews already performed by the Information Management Director of system data and user account maintenance.
- As part of the agency's organizational restructuring, the newly constituted Deputy Director for Policy and Public Affairs role will **implement a formal review process to ensure policies and procedures remain current**. The executive-level position provides guidance and direction for a portfolio encompassing enterprise planning and compliance with reporting requirements.
- The VRS Reconciliation Report exception items reflect the difficulty in correcting discrepancies timely when resolution is subject to action by outside entities. For example, two of the exceptions occurred due to in-service deaths of DPOR employees (one is since resolved and the other remains outstanding); the third involved an at-will appointee's LWOP period and VRS is the authority responsible for fixing the entry.

Nonetheless, management acknowledges the need to **ensure exceptions are addressed timely** and ongoing efforts to fill vacancies in Human Resources will support that improvement.

- At the start of FY 2022, DPOR began **reconciling expenses in accordance with CAPP Topic 20905**, at the expanded service area level (560046, 560047, 460048).
- Finally, with regard to information security standards, the **software version used by the sensitive system referenced is supported**. After initially requesting an exception for the software, Commonwealth Security and Risk Management (CSRM) instead advised DPOR to submit a Demand Ticket for extended support from VITA until June 2024. Therefore, all applicable system servers are now upgraded and using supported software versions, in compliance with the Commonwealth Security Standard, and no exception is required.

Moreover, MOUs for both Centralized IT Security Audit Services and Information Security Officer Services remain in place, ensuring **DPOR will continue to work with VITA as needed if any additional security measures should be put in place**.

We appreciate your thorough review and identification of ways to strengthen our effective internal control environment.

Kind regards,



Mary Broz-Vaughan
Director

Cc: The Honorable Megan Healy, Ph.D., Secretary of Labor
Linda Bell, Human Resources Director
Cassandra Lewis, Administration & Financial Services Director
Jeff Waite, Financial Services Director
Dawn Waters, Information Management Director