



# STATE COMPENSATION BOARD

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF JULY 2021

Auditor of Public Accounts  
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Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

February 1, 2022

Robyn de Socio, Executive Secretary  
State Compensation Board  
102 Governor Street  
Richmond, VA 23219

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **State Compensation Board** (Compensation Board). We completed the majority of the review on July 27, 2021; however, the information technology and security portion of the review was not completed until November 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 Compensation Board 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 Compensation Board. 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. For Compensation Board, only inquiry was necessary since they are not currently in compliance with ARMICS. 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, debt, expenses, 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:

- Compensation Board provides constitutional officers with an annual overview of its policies; however, Compensation Board has not updated the Constitutional Officer Policies and Procedures Manual since fiscal year 2011. Compensation Board should review and update the Constitutional Officer Policies and Procedures Manual on a periodic basis to ensure policies and procedures are up to date and references to the Appropriation Act are current.
- Compensation Board is not in compliance with all the minimum requirements of ARMICS. Management is working with a contractor to assist with the ARMICS process. Compensation Board should continue working to improve the ARMICS process to meet all requirements.
- Compensation Board does not have current risk management documentation for its five sensitive information systems. We communicated the specific control weaknesses 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. Compensation Board used Virginia Information Technologies Agency's Centralized Information Security Officer service to implement its information technology risk management program. However, Compensation Board did not complete the required documentation in April 2021 as planned due to changes regarding how to structure the documentation. The current plan is to complete this documentation by October 2022. Compensation Board should complete the required risk management documentation to protect the confidentiality, integrity, and availability of its sensitive systems and data.

We discussed these matters with management on August 16, 2021, and January 5, 2022. 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,

LaToya D. Jordan  
Deputy Auditor of Public Accounts

JDE/clj

JEFFREY PALMORE  
CHAIRMAN

ROBYN DE SOCIO  
EXECUTIVE SECRETARY



CRAIG BURNS  
STACI HENSHAW  
EX-OFFICIO MEMBERS

## COMMONWEALTH OF VIRGINIA

### *Compensation Board*

P.O. Box 710  
Richmond, Virginia 23218-0710

March 11, 2022

#### MEMORANDUM

TO: LaToya Jordan, Deputy Auditor of Public Accounts

SUBJECT: Agency Response to Internal Control Questionnaire Review Results

Thank you for the opportunity to review your preliminary Results Letter to the Compensation Board regarding the Internal Control Questionnaire Review for the fiscal year ended June 30, 2020 and to respond to the results noted in the report. The review results noted three items requiring management attention.

The Compensation Board provides access on its agency website to a Constitutional Officer Policy and Procedures Manual, which does not always require annual updates. To ensure Constitutional Officers are provided up to date policies, the Compensation Board produces an annual overview of Board policies with the release of annual budgets each year on May 1. However, we recognize that some updates are needed to the current version of the Manual, and have been working to create an updated version for the coming fiscal year.

The auditors included a notation regarding our status with ARMICS compliance. At the time of the review last summer, we were in the process of completing our ARMICS review for FY21 with the assistance of a contractor, and completing a thorough review and update to all processes. The agency completed its self-assessment certification identifying compliance in most areas and is continuing to take appropriate action to resolve any outstanding weaknesses; the agency has commenced a further review with a contractor for completion of the FY22 certification process.

Lastly, as noted, the Compensation Board is funded to work with the Virginia Information Technology Agency's centralized ISO services to manage and complete information security requirements. As noted, the items scheduled for review in the spring of 2021 were deferred to the fall of 2022 to ensure updated processes for the review were available and in order to ensure sufficient resources from VITA ISO services were available to assist with the process.

Please let me know should you have any additional questions or need further information.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robyn M. de Socio".

Robyn M. de Socio  
Executive Secretary