



OFFICE OF CHILDREN'S SERVICES

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF JUNE 2018

Auditor of Public Accounts
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Commonwealth of Virginia

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P.O. Box 1295
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January 14, 2019

Scott Reiner, Executive Director
Office of Children's Services
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INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire, completed on June 29, 2018, for the **Office of Children's Services** (Children's Services). 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 Children's Services is responsible for establishing and maintaining an effective control environment.

The Auditor of Public Accounts has developed a new process for auditing agencies that are not required to have an audit every year, which we refer to as "cycled agencies." Traditionally, we audit these agencies at least once every three years. We now employ a risk-based approach to auditing the cycled agencies. Under this approach, annually we will perform a risk analysis for all of the cycled agencies considering certain criteria and divide the agencies into two pools. One pool will receive an annual audit and the other pool will be subject to review in a special project focused on one area of significance as well as a review of internal controls in the form of a questionnaire. All agencies will undergo an Internal Control Questionnaire review at least once every three years. This letter is to communicate the results of the Internal Control Questionnaire review.

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; 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 Children’s Services. 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

Due to the implementation of the new statewide accounting system, we reviewed system access and 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; 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 Children’s Services there was no ARMICS documentation to review, see “Review Results” section below for more details.

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: information system security, agreements with service providers, and grants monitoring. 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:

- Children’s Services does not have formal, documented policies and procedures over all significant business processes. Management should establish and implement agency specific formal, documented policies and procedures over all significant business processes.

- Children’s Services is not compliant with ARMICS standards prescribed by the Department of Accounts. Children’s Services has not completed an agency-level and transaction-level risk assessment to meet the minimum requirements in the ARMICS standards. Children’s Services was relying on the ARMICS procedures performed by the Department of Social Services (Social Services) because they were previously a division of this agency; however, they are now a stand-alone agency and are working on their own ARMICS procedures. Management should ensure that it is meeting the minimum requirements of the ARMICS standards and ensure all significant business areas are included in the ARMICS risk assessment.
- Children’s Services does not currently have a formal Memorandum of Understanding with the Department of Education (Education). Instead, management relies on language in the Appropriation Act, which states, “The Department of Education shall serve as fiscal agent to administer funds cited in paragraphs B and C.” This does not provide a clear statement of the services provided by Education. Children’s Services and Education should work together to develop a Memorandum of Understanding that specifically addresses each agency’s responsibilities under this arrangement. In addition, Children’s Services outsources preparation of financial documents to Social Services and Education. During our review we noted Children’s Services does perform a reconciliation to ensure monthly amounts charged by Education are charged to the correct account. However, this reconciliation is not documented by Children’s Services. We recommend the agency document this reconciliation as well as what reconciliations are performed by Education and Social Services.
- We observed the following information system security related deficiencies:
 - Children’s Services does not secure the agency website in accordance with best practices requirements. Best practices within the Open Web Application Security Project dictate certain minimum security controls for web application security. We addressed these control weaknesses to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under §2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. Management should implement controls to secure the website according to best practices and the minimum security requirements in the Commonwealth’s Information Security Standard, SEC 501 (Security Standard). Doing this will help ensure the confidentiality, integrity, and availability of Children’s Services’ sensitive and mission critical data.
 - Children’s Services’ information security documentation is not consistent. Specifically, the Business Impact Analysis, Continuity Plan, and Sensitive Systems List do not identify information technology (IT) systems consistently. The Risk Management (RM) and Contingency Plan (CP) documents do not properly and consistently rate the sensitivity of systems supporting mission essential functions and do not define disaster recovery requirements consistently. Additionally, Children’s Services does not have an IT Disaster Recovery Plan (DRP) that documents their disaster recovery requirements and their oversight over Virginia Information Technologies Agency’s (VITA) disaster recovery efforts. Management should update

their RM and CP documentation to ensure that the information among the documents aligns and accurately reflects their current IT environment. Management should also develop an IT DRP that documents IT disaster components for each IT system necessary to recover business functions or dependent business functions in accordance with the Security Standard, in addition to developing procedures for Children's Services to follow to gain assurance over VITA's disaster recovery efforts.

- Children's Services does not have a formal process to conduct an annual review and revision of its IT policies and procedures. Children's Services last conducted a formal, documented review and revision of its IT policies and procedures in the fall of 2016. The Security Standard requires that organizations review and update their policies and procedures on an annual basis or more frequently, if required, to address an environmental change. Children's Services' internal policy also requires annual review in some cases. Management should develop and implement a process to complete an annual review of its IT policies and procedure to address environmental changes.

We discussed these matters with management on December 18, 2018. 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,

Auditor of Public Accounts

JDE/vks



COMMONWEALTH of VIRGINIA

Scott Reiner, M.S.
Executive Director

OFFICE OF CHILDREN'S SERVICES *Administering the Children's Services Act*

January 17, 2019

Martha Mavredes, CPA
Auditor of Public Accounts
PO Box 1295
Richmond, VA 23218

Dear Ms. Mavredes:

The Children's Services Act / Office of Children's Services (OCS) concurs with the findings of the recent Internal Control Review dated December 18, 2019. OCS will be addressing the findings identified in the APA Audit. OCS intends to complete the below actions in response to the APA findings/recommendations no later than October 1, 2019 as follows:

- Policies and Procedures – OCS management will develop agency specific business operating policies and procedures for the Office of Children's Services. The development of these policy and procedures will be complete by June 30, 2019.
- Agency Risk Management and Internal Control Standards (ARMICS) – The Children's Services Act / Office of Children's Services (OCS) submitted an ARMICS report to the Department of Accounts for fiscal year 2018, as required on October 19, 2018.
- Services Provided by Other Entities – Per the recommendation, OCS will work with the Department of Education (DOE) to execute a formal Memorandum of Understanding by October 1, 2019. OCS will provide documentation and a procedure for its financial reconciliation process by June 30, 2019.
- Information System Security – The following issues will be addressed with the 2019 Continuity of Operation Plan (COOP) submission.
 - Access Control and Account Management
 - Risk Management and Contingency Planning
- Information Technology (IT) Policies and Procedures – OCS management will review and complete necessary revisions and updates to existing agency Information Technology policies and procedures for the Office of Children's Services. The revisions and updates of these policies and procedures will be completed by June 30, 2019.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Reiner".

Scott Reiner
Executive Director

cc: Maris Adcock
Preetha Agrawal
Zandra Relaford
Stephanie Bacote