



# VIRGINIA INDIGENT DEFENSE COMMISSION

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF DECEMBER 2023

Auditor of Public Accounts

Staci A. Henshaw, CPA

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(804) 225-3350



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# Commonwealth of Virginia

*Auditor of Public Accounts*

Staci A. Henshaw, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

March 25, 2024

Maria Jankowski, Executive Director  
Virginia Indigent Defense Commission  
1604 Santa Rosa Road, Suite 200  
Richmond, Virginia 23229

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Virginia Indigent Defense Commission** (Commission). We completed the review on December 19, 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 the Commission 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 the Commission. 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 2020 internal control questionnaire review findings as well as the findings in the report titled "[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 audit.

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. Our review of the Commission's ARMICS program included a review of all current ARMICS documentation and a comparison to statewide guidelines established by Accounts. Further, we evaluated the Commission'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; procurement and contract management; capital assets; 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:

- The Commission is not meeting all minimum requirements of ARMICS. Since the prior review, the Commission completed an analysis of its strengths, weaknesses, opportunities, and threats as recommended in the prior review. The Commission then hired a service provider to perform the agency level and transaction level requirements of ARMICS. We determined that the agency-level and transaction-level review performed does not include sufficient documentation and assessment, including evidence of testing, for control activities covering all significant processes. The Commission should ensure ARMICS documentation, assessment, and testing performed on behalf of the Commission meets the minimum requirements issued by Accounts.
- The Commission is not properly monitoring service contracts. The Commission does not perform a routine review of contracts during the service period to ensure contractors are performing in accordance with contract requirements. The Commission should perform and

document a periodic review of contracting activities to prevent improper payments to contractors and ensure the Commission appropriately receives the contracted services.

- The Commission does not have processes in place to determine the correct interest rate for leases in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87. Commonwealth Accounting Policies and Procedures Manual Topic 31200, which references GASB Statement No. 87, requires agencies to evaluate explicit, implicit, and incremental borrowing rates before defaulting to the prime rate for a reasonable and accurate interest rate. Management should update their lease procedures to comply with GASB Statement No. 87 and properly record leases in accordance with this standard.

We discussed these matters with management on January 26, 2024. 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



April 11, 2024

**Scott Reynolds**

Senior Auditor | Strategic Risk Project Management Specialty Team  
Auditor of Public Accounts | Commonwealth of Virginia  
101 North 14<sup>th</sup> Street, 8<sup>th</sup> Floor | Richmond, VA 23219 | U.S.A

Please find attached the Indigent Defense Commission's (IDC) response to the Internal Control Questionnaire Review Results for **FY2022**.

Again, we would like to thank you for your work. As always, we welcome the opportunity to learn and improve our processes and every engagement with the APA always leads to growth and better understanding.

Finding 1. ARMICS is important and an opportunity to review internally and root our weakness and ensure adherence to processes. Since we do not have the internal staff to conduct the annual ARMICS we retained a outside service provider. We agree that the service provided for FY2022 was inadequate and have utilized a different provider for 2023 and moving forward. The Budget and Finance Director will work with the new ARMICS contractor to ensure VIDC is meeting all minimum requirements of ARMICS. We anticipate the corrective action to be completed by September 30, 2024.

Finding 2. For all contracts the Procurement Officer and the Budget and Finance Director will work to implement a process that documents a routine review of contracts during the service period and will ensure that contractors are performing in accordance with the contract requirement. We anticipate the corrective action will be completed by September 30, 2024.

Finding 3. VIDC developed and implemented a process of determining the correct interest rate for leases in accordance with the Governmental Accounting Standard Board (GASB) statement No. 87 in July 2023. This is completed.

Sincerely,

Maria Jankowski