



VIRGINIA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF JULY 2018

Auditor of Public Accounts
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Commonwealth of Virginia

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P.O. Box 1295
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May 6, 2019

Jewel H. Bronaugh, Commissioner
Virginia Department of Agriculture and Consumer Services
102 Governor Street
Richmond, VA 23219

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire, completed on July 11, 2018 (except for the review of information technology security, which was completed on March 28, 2019), for the **Virginia Department of Agriculture and Consumer Services** (Agriculture). 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 Agriculture 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 Agriculture. 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 Agriculture, all ARMICS documentation was reviewed.

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: petty cash, small purchase charge card reconciliations, federal grants, expense vouchers, contracts, and information technology 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

Agriculture has made progress in addressing the information technology (IT) security issues identified in our prior audit, and strengthening controls to align its information security program with the Commonwealth’s Information Security Standard, SEC 501 (Security Standard). During our review we observed the following areas where further improvement is still needed:

- The Agriculture IT Risk Management and Contingency Planning process and documentation is incomplete and does not include certain attributes needed to effectively evaluate and implement necessary information security controls. For example, Agriculture’s documentation within the Business Impact Analysis (BIA) does not indicate whether each

function processes or stores sensitive data. Agriculture should complete each line item of the BIA to answer the question, 'Does this function process or store data sensitive relative to confidentiality' in order to correlate the risk management and contingency planning documents. In addition, Agriculture's IT Disaster Recovery Plan (DRP) does not include all of the IT assets required to support mission essential functions during disaster recovery efforts. Agriculture should ensure that the IT DRP identifies all IT systems and data needed to support the essential business functions during disaster recovery efforts.

- We also communicated other control weaknesses to management in a separate document marked Freedom of Information Act (FOIA) Exempt under §2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. The Security Standard requires the implementation of certain controls to reduce unnecessary risk to data confidentiality, integrity, and availability in systems processing or storing sensitive information. Agriculture should dedicate the necessary resources to implement the controls discussed in the communication marked FOIA Exempt in accordance with the Security Standard and industry best practices in a timely manner to address the following items:
 - Agriculture continues to not secure a sensitive system's supporting database with some minimum-security controls required by the Security Standard, and industry best practices, such as the Center for Internet Security's Benchmark.
 - Agriculture made progress to address the issues identified in our prior audit by remediating certain security control weaknesses related to oversight of third-party service providers. However, we observed instances where Agriculture does not maintain appropriate oversight over its third-party service providers in accordance with the Security Standard.
 - Agriculture continues to not secure a mission critical system's supporting database with some minimum-security controls required by the Security Standard.

We discussed these matters with management on April 25, 2019. 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

Department of Agriculture and Consumer Services

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Jewel H. Bronaugh, Ph.D.
Commissioner

May 21, 2019

Ms. Martha S. Mavredes
Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Dear Ms. Mavredes:

Thank you for the opportunity to review the Internal Control Questionnaire Review Results for the Virginia Department of Agriculture and Consumer Services (VDACS) as prepared by the Auditor of Public Accounts. We appreciate the opportunity to examine VDACS' internal control environment, and we are making necessary changes in response to the findings identified related to information technology security issues.

We appreciate the assistance of your staff and look forward to working with you again.

Sincerely,

A handwritten signature in cursive script that reads "Jewel Bronaugh".

Jewel Bronaugh, Ph.D.
Commissioner

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