



COMMONWEALTH'S ATTORNEYS' SERVICES COUNCIL

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF MARCH 2018

Auditor of Public Accounts
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Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
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May 31, 2018

Jane Chambers, Director
Commonwealth's Attorneys' Services Council
P.O. Box 3549
Williamsburg, VA 23187

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire, completed on March 15, 2018, for the **Commonwealth's Attorneys' Services Council** (Council). 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 Council 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 the Council. 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 (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.

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: expenditure processing, small purchase charge cards purchases, federal grants, and revenues. 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:

- Management should expand upon existing policies and procedures to ensure proper execution of the tracking, monitoring, and accounting of federal grants expenditures and to align the Council’s process with grant requirements and guidance provided by Accounts. In addition, management performs a review of policies and procedures annually or as needed. However, management does not retain evidence that management properly reviewed and

approved policies and procedures. Management should document the review and approval of all policies and procedures.

- The Council is not fully compliant with ARMICS standards prescribed by Accounts. Management should ensure it is meeting the minimum requirements of the ARMICS standards and ensure all significant business areas are included in the ARMICS risk assessment.
- Management should improve the expenditure review process to ensure all vouchers are coded to the correct fund and account.

We discussed these matters with management on May 15, 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 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/clj



COMMONWEALTH of VIRGINIA

Commonwealth's Attorneys' Services Council

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June 15, 2018

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

Dear Ms. Mavredes:

I am writing in response to the recent audit of the Commonwealth's Attorneys' Services Council (Council). Please find Council's responses to the APA's review below.

Policies and Procedures:

Management should expand upon existing policies and procedures to ensure proper execution of the tracking, monitoring, and accounting of federal grants expenditures and to align the Council's process with grant requirements and guidance provided by Accounts. In addition, management performs a review of policies and procedures annually or as needed. However, management does not retain evidence that management properly reviewed and approved policies and procedures. Management should document the review and approval of all policies and procedures.

Corrective Action: Council management will review the policies and procedures with the Department of Accounts and make necessary changes. As part of this review, Council will maintain documentation that annual reviews are performed.

Agency Risk Management and Internal Control Standards (ARMICS):

The Council is not fully compliant with ARMICS standards prescribed by the Department of Accounts. Management should ensure it is meeting the requirements of the ARMICS standards and ensure all significant business areas are included in the ARMICS risk assessment.

Corrective Action: Council will review and update its ARMICS plan by the fall of 2018.

Voucher Review:

Management should improve the expenditure review process to ensure all vouchers are coded to the correct fund and account.

Corrective Action: Council identified this issue in July 2017 and immediately implemented procedures to ensure correct voucher coding. CASC also will implement the APA's suggestion to add an additional level of review on voucher headers.

Council appreciates the professionalism shown by APA auditing staff. We look forward to working with you in the future.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Chambers', with a long horizontal flourish extending to the right.

Jane S. Chambers
Director