



STATE BOARD OF ELECTIONS

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF AUGUST 2018

Auditor of Public Accounts
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P.O. Box 1295
Richmond, Virginia 23218

November 5, 2018

Christopher Piper, Commissioner
State Board of Elections
1100 Bank Street, First Floor
Richmond, VA 23219

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire, completed on August 6, 2018, for the **State Board of Elections** (Elections). 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 Elections 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 Elections. 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 Elections, 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: federal reporting, travel reimbursements, human resources, and transfer payments. 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:

- Elections continues to lack formally documented policies and procedures for significant business processes. Since our fiscal year 2015 audit of Elections, the Business Manager has spent a significant amount of time formalizing and beginning documentation of key policies and procedures. However, these are still not formally documented and approved at this time. Management should ensure these are completed and detailed policies and procedures over all critical business areas are formally documented and approved.

- Elections continues to have insufficient controls over the certification of at-will employee leave. Since our fiscal year 2015 audit of Elections, the process has improved and includes sufficient tracking of at-will employee's leave. However, this process is still undocumented, and Elections was unable to provide evidence of the required annual certification by its at-will employees of their leave time. Management should improve and document the processes surrounding at-will leave to ensure at-will employees are properly certifying their leave annually and retaining evidence of this.

We discussed these matters with management on October 31, 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/clj



COMMONWEALTH of VIRGINIA DEPARTMENT OF ELECTIONS

Christopher E. "Chris" Piper
Commissioner

Jessica N. Bowman
Deputy Commissioner

December 4, 2018

Ms. Martha S. Mavredes
Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23219

Dear Ms. Mavredes:

The following is in response to your Internal Control Questionnaire Review Results of the Virginia Department of Elections dated November 5, 2018. We appreciate your review and will ensure that your recommendations are addressed over the next several months. Below are our responses to each of the Results.

I am pleased that the APA acknowledged the progress made during my short time at the agency as we work to create and revise policies and processes in response to Cardinal and other agency changes. This has proven to be extremely challenging for a small organization such as Elections. In addition, we experienced turnover in two of our three fiscal positions during FY18 and 19 which necessitated that we focus our efforts on daily transaction processing while updating policies and procedures as time permitted. We have already addressed several of your recommendations and are continuing to make progress on the others, as you will see from our responses.

Elections continues to lack formally documented policies and procedures for significant business processes. Since our fiscal year 2015 audit of Elections, the Business Manager has spent a significant amount of time formalizing and beginning documentation of key policies and procedures. However, these are still not formally documented and approved at this time. Management should ensure these are completed and detailed policies and procedures over all critical business areas are formally documented and approved.

Agency Response

ELECT concurs with the recommendation, and is currently updating all agency policies and procedures.

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Elections continue to have insufficient controls over the certification of at-will employee leave. Since our fiscal year 2015 audit of Elections, the process has improved and includes sufficient tracking of at-will employee's leave. However, this process is still undocumented, and Elections was unable to provide evidence of the required annual certification by its at-will employees of their leave time. Management should improve and document the processes surrounding at-will leave to ensure at-will employees are properly certifying their leave annually and retaining evidence of this.

Agency Response

ELECT concurs with the recommendation. We have subsequently updated our leave policy (attached) to include at-will employees and to include the annual certification in the employee personnel file.

In closing, thank you for the opportunity to respond to the results of your review. Please feel free to contact us if you have any additional questions or concerns.

Sincerely



Kevin A. Hill

Business Manager

cc: Chris Piper, Commissioner
Jessica Bowman, Deputy Commissioner