



COMMONWEALTH'S ATTORNEYS' SERVICES COUNCIL

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF JULY 2024

Auditor of Public Accounts
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- TABLE OF CONTENTS -

	<u>Pages</u>
REVIEW LETTER	1-3
AGENCY RESPONSE	4-5



Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
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P.O. Box 1295
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September 13, 2024

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 for the **Commonwealth's Attorneys' Services Council** (Council). We completed the review on July 10, 2024. 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.

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 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

We evaluated the agency's corrective action for all prior review findings. The agency has taken adequate corrective action with respect to review findings reported in the prior review that are not repeated in the "Review Results" section below.

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. The level of ARMICS review performed was based on judgment and the risk assessment for the Council. Our review of the Council's ARMICS program included a review of all current ARMICS documentation and a comparison to statewide guidelines established by Accounts. Further, we evaluated the Council'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; revenues; expenses; capital assets; and grants management. 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:

- **Repeat** - The Council has formal, documented policies and procedures over many of its significant business processes. However, during our review, we identified several critical business areas where the Council should develop or improve policies and procedures to maintain an effective control environment. Topic 20905 and other sections of the Commonwealth Accounting Policies and Procedures (CAPP) Manual require each agency to "publish its own policies and procedures documents, approved in writing by agency management." Management should ensure detailed policies and procedures exist for all critical business areas.
- The Council is not properly accounting for or tracking subscription-based information technology arrangements (SBITA) in accordance with Governmental Accounting Standards Board (GASB) Statement No. 96. The Council does not have an established process for identification of SBITAs. CAPP Manual Topic 31300, which references GASB Statement No. 96, requires agencies to determine and record the necessary accounting information in the

lease accounting system based on the contract to ensure proper classification of long-term and short-term SBITAs; and to evaluate explicit, implicit, and incremental borrowing rates before defaulting to the prime rate for a reasonable and accurate interest rate. Management should develop SBITA procedures that comply with GASB Statement No. 96 and properly record and classify SBITAs in accordance with this standard.

- The Council conducted a physical inventory over capital assets, but the preparer and the reviewer did not sign or date the inventory, which does not provide evidence that the Council performed the inventory timely or had proper separation of duties. CAPP Manual Topic 30505 requires a physical inventory count at least once every two years. The Council should ensure that the preparer and reviewer sign and date the inventory documentation to provide evidence supporting timeliness and adequate separation of duties. Appropriate documentation will help to ensure proper safeguarding of assets, fiscal accountability, and the accuracy of the Commonwealth's capital asset system data.

We discussed these matters with management on July 18, 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 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/vks



COMMONWEALTH of VIRGINIA

Commonwealth's Attorneys' Services Council

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September 18, 2024

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

Dear Ms. Henshaw:

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

- **Repeat** - The Council has formal, documented policies and procedures over many of its significant business processes. However, during our review, we identified several critical business areas where the Council should develop or improve policies and procedures to maintain an effective control environment. Topic 20905 and other sections of the Commonwealth Accounting Policies and Procedures (CAPP) Manual require each agency to "publish its own policies and procedures documents, approved in writing by agency management." Management should ensure detailed policies and procedures exist for all critical business areas.

Corrective Action: CASC will update the current policies and procedures to expand on requirements with the Cardinal Human Management System, the SBITA requirements, and any other discrepancies found during annual reviews. All policies and procedures are available to staff in a file sharing program called BOX.

- The Council is not properly accounting for or tracking subscription-based information technology arrangements (SBITA) in accordance with Governmental Accounting Standards Board (GASB) Statement No. 96. The Council does not have an established process for identification of SBITAs. CAPP Manual Topic 31300, which references GASB Statement No. 96, requires agencies to determine and record the necessary accounting information in

the lease accounting system based on the contract to ensure proper classification of long-term and short-term SBITAs; and to evaluate explicit, implicit, and incremental borrowing rates before defaulting to the prime rate for a reasonable and accurate interest rate. Management should develop SBITA procedures that comply with GASB Statement No. 96 and properly record and classify SBITAs in accordance with this standard.

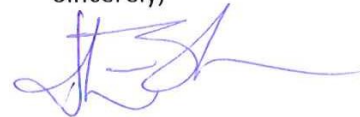
Corrective Action: CASC has implemented this requirement, identified all subscription-based information technology agreements and entered them into the state LAS system.

- The Council conducted a physical inventory over capital assets, but the preparer and the reviewer did not sign or date the inventory, which does not provide evidence that the Council performed the inventory timely or had proper separation of duties. CAPP Manual Topic 30505 requires a physical inventory count at least once every two years. The Council should ensure that the preparer and reviewer sign and date the inventory documentation to provide evidence supporting timeliness and adequate separation of duties. Appropriate documentation will help to ensure proper safeguarding of assets, fiscal accountability, and the accuracy of the Commonwealth's capital asset system data.

Corrective Action: CASC has implemented this requirement and currently has a separation of duties between agency staff and the agency head. Formal procedures are in place to prepare, review and approve all inventory.

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

Sincerely,



Jane S. Chambers
Director