



DEPARTMENT OF FIRE PROGRAMS

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF JUNE 2017

Auditor of Public Accounts
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P.O. Box 1295
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July 19, 2017

Melvin D. Carter, Executive Director
Department of Fire Programs
1005 Technology Park Drive
Glen Allen, VA 23509-4500

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire, completed on June 9, 2017, for the **Department of Fire Programs** (Fire Programs). 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 Fire Programs 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 Fire Programs. 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 reviewed the Internal Control Questionnaire and had discussions with management. We were unable to perform additional procedures because Fire Programs has had high turnover in the fiscal department and did not have adequate staff in place to allow us to perform the review.

Review Results

Fire Programs has had high turnover in the fiscal department, which has limited the abilities to execute control activities. For this reason, in July of 2016, Fire Programs’ Executive Director requested the Department of Accounts (Accounts) to complete a quality assurance review. Accounts’ review had observations in a number of fiscal areas including the risk assessment process; lack of policies and procedures and documented controls over fiscal processes; financial system reconciliation processes; accounts receivable; indirect cost recovery; and lease information.

At the time of our review, we determined that most of the observations in the Accounts review were still being addressed. We requested policies and procedures for critical fiscal processes; however, management was unable to provide any policies and procedures. We determined that Fire Programs did not have adequate staff in place with sufficient knowledge of the agency to ensure an appropriate internal control environment. For these reasons, we did not perform any further procedures.

We discussed these matters with management on June 19, 2017. 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

Brook M. Pittinger
ACTING DIRECTOR

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CHIEF ADMINISTRATIVE OFFICER

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August 11, 2017

Jennifer D. Eggleston, Audit Director
Auditor of Public Accounts
101 North 14th Street
Richmond, Virginia 23219

Good Afternoon,

In response to your Internal Control Questionnaire Results letter, listed below is an update to the agency's ongoing efforts to resolve all deficiencies noted during the Quality Assurance Review (QAR) conducted by the Department of Accounts.

ARMICS:

Agency Response: The agency has engaged the services of an outside consultant from Robert Half to complete a full agency-level and transaction-level reassessment of the Agency's Risk Management and Internal Control Structure (ARMICS), to include identifying its significant fiscal processes. This reassessment will include financial reporting and monthly reconciliations, re-examining the identification of key controls, and the design and test of controls to ensure controls are operating effectively in accordance with CAPP 10305 *Internal Control*. Annual certifications will include the appropriate Exhibit. Additionally, the agency has hired a full time Internal Auditor (effective 08/10/17) who will test fiscal controls to ensure the agency's controls are operating effectively in accordance with CAPP 10305 Internal Controls.

Estimated Completion Date: September 29, 2017 – Certification of ARMICS
Responsible Party: Agency Administration

Lack of Procedures and Documented Controls over Fiscal Processes:

Agency Response: The agency is in the process of performing a reassessment of ARMICS at the agency-level and transaction-level, the Robert Half consultant and newly hired Internal Auditor will aid DFP staff in the creation and/or update of procedures for all fiscal processes to ensure that processes are established, documented, kept current, and followed.

Estimated Completion Date: September 29, 2017 – Certification of ARMICS
Responsible Party: Agency Administration

CARS Reconciliation Process:

Agency Response: Since the decommissioning of CARS the agency conducts monthly reconciliation to Cardinal as outlined in CAPP 20905 Cardinal Reconciliation Requirements.

Estimated Completion Date: **Completed 2nd Quarter, FY2017**
Responsible Party: **Agency Administration**

Accounts Receivable – Collection Policies/Procedures:

Agency Response: The agency has revisited the collection contract and is actively utilizing the collection services of Transword System Inc. formally known as NCO Financial. Accounts are reviewed and submitted to the collection agency on a monthly basis as needed.

Estimated Completion Date: **Completed 3rd Quarter, FY2017**
Responsible Party: **Agency Administration**

Accounts Receivable – Reconciliations:

Agency Response: On Wednesday, March 8, 2017, all fiscal staff attended hands on Excel training to ensure employees have the training needed to perform all duties of their position. The agency continues to encourage and provide employees with opportunities of ongoing training ensure they are successful in their duties.

Estimated Completion Date: **Completed 2nd Quarter, FY2017**
Responsible Party: **Agency Administration**

Accounts Receivable - Receivable as of June 30 (Attachment 22 – Fiscal Year End 2015):

Agency Response: *Corrective action completed*

Estimated Completion Date: **Completed**
Responsible Party: **Agency Administration**

Indirect Cost Recovery:

Agency Response: In March of 2017 the agency contacted its federal cognizant agency, the Department of Health and Human Services (DHHS) operating on behalf of the Department of Homeland Security (DHS), to review the indirect cost recovery de minimis rate. After the review Fire Program believes that adherence to the requirements detailed in the CAPP Manual Topic, Indirect Cost Recovery would create an undue hardship for the agency. The Agency is in the process of contacting DOA to request an exemption

Estimated Completion Date: **Completed 3rd Quarter, FY2017**
Responsible Party: **Agency Administration**

Lease information in LAS:

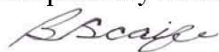
Agency Response: The appropriate staff now has access to LAS and has begun the process of reviewing leases as required.

Estimated Completion Date: **Completed** 3rd Quarter, FY2017

Responsible Party: Agency Administration

During the Quality Assurance Review, the Department of Accounts noted discrepancies in eight areas with the exception of two the agency has taken great strides to come into full compliance with all of the identified findings. The Department of Fire Programs recognizes the importance of internal controls and the importance of complying with all policy and procedures outline by the Commonwealth Accounting Policies and Procedures (CAPP) and the Auditor of Public Accounts (APA). The agency anticipates full compliance with the two remaining findings by September 29, 2017.

Respectfully submitted,



Brenda Scaife
Chief Administrative Officer
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cc: bs

pb