



DEPARTMENT OF WILDLIFE RESOURCES

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF AUGUST 2024

Auditor of Public Accounts
Staci A. Henshaw, CPA

www.apa.virginia.gov

(804) 225-3350



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Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 8, 2024

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Jon Cooper, Chair
Board of Wildlife Resources

Ryan Brown, Executive Director
Department of Wildlife Resources

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Department of Wildlife Resources** (Wildlife Resources). We completed the review on August 29, 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 Wildlife Resources 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 Wildlife Resources. 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 the findings in the report titled "[Department of Wildlife Resources for the year ended June 30, 2021](#)," except for the finding entitled "Improve Employment Eligibility Process," for which corrective action will be evaluated in a future review. The agency has taken adequate corrective action with respect to all other findings reported in the prior audit 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 Wildlife Resources. Our review of Wildlife Resources' ARMICS program included a review of all current ARMICS documentation and a comparison to statewide guidelines established by Accounts. Further, we evaluated Wildlife Resources' 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; expenses; capital assets; grants management; and information technology and security. 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:

Journal Entries

- We identified the following deficiencies related to Wildlife Resources' processing of journal entries. Wildlife Resources was unable to provide adequate documentation to support that journal entries were reasonable and properly approved. Wildlife Resources did not perform adequate review of journal entries to ensure accuracy prior to processing. Wildlife Resources had significant periods of time during fiscal year 2024 where there was minimal journal entry activity due to turnover. During four of 12 (33%) months Wildlife Resources processed two journal entries. Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 20410 states that agencies should establish a routine schedule for accumulating and processing journals each month and urges agencies to process corrections promptly. Our

review of nine journal entries Wildlife Resources made during fiscal years 2023 and 2024 found that six of these entries (67%) did not have adequate support, lacked proper approval, or were inaccurate. The purpose of all six entries were to transfer cash between various funds to address budget and cashflow issues.

- One of the entries transferred cash into the Federal fund from the Lifetime Hunting and Fishing Endowment (Endowment) fund, without proper approval, due to a negative cash balance within the federal fund. Section 29.1-101.1 of the Code of Virginia restricts the Endowment fund and requires Board approval for the withdrawal or expenditure of funds. Furthermore, this transfer of cash into the Federal fund led to inaccurate reporting of federal expenses on the fiscal year 2023 Schedule of Federal Expenditures and Awards, as Wildlife Resources did not draw down federal funds to reimburse the Endowment fund. Wildlife Resources should improve their controls and procedures related to journal entry processing to ensure it retains adequate support for all entries, enters the entries timely, and properly reviews and approves entries. These improvements are necessary to ensure accurate accounting and financial reporting in accordance with the CAPP Manual and applicable accounting standards.

Expenses

- We noted the following deficiencies related to Wildlife Resources' processing of expense vouchers. These deficiencies were primarily related to budgeting and cash flow issues present at Wildlife Resources during the end of fiscal year 2023 that continued into fiscal year 2024.
 - Three of four (75%) vouchers under review were non-compliant with the prompt payment provisions of the Code of Virginia, with payments ranging from 48-56 days after the latter of the receipt of invoice or receipt of goods/services.
 - For one of four (25%) vouchers under review, Wildlife Resources did not pay the voucher in its entirety due to budget and cash flow issues.
 - For one of four (25%) vouchers under review, Wildlife Resources charged the voucher to a different fund than what it approved on the purchase order and invoice due to cash flow issues.

Wildlife Resources should improve its controls related to budgeting and expense voucher processing to ensure it makes payments timely and accurately.

- Wildlife Resources is primarily funded through non-general fund sources and incurs expenses within its various special revenue funds prior to reimbursing from federal funds as applicable. During fiscal year 2024 there was no established schedule or controls to ensure timely drawdown of federal funds to reimburse expenses originally incurred within special revenue funds. These deficiencies lead to untimely drawdowns of federal funds and significant budget and cash flow issues which contributed to the deficiencies noted above for expenses and journal entries. Wildlife Resources should improve its process and controls related to federal fund drawdowns to ensure timely reimbursement of expenses.
- Wildlife Resources does not maintain evidence to demonstrate its timely completion of reconciling Small Purchase Charge Cards (SPCC) transactions between the monthly statement and supporting documentation for each purchase. Without verifying the timeliness of reconciliation completion there is an increased risk that Wildlife Resources does not have proper support or approval for SPCC purchases. CAPP Manual Topic 20355 requires that Wildlife Resources complete the reconciliation prior to receipt of the next month's statement. Additionally, Wildlife Resources is not consistently completing journal entries to reallocate SPCC purchases from convenience account codes used to facilitate timely payment to the appropriate expense account codes. Wildlife Resources did not make any reallocation journal entries during the fourth quarter of fiscal year 2023. During fiscal year 2024, Wildlife Resources made reallocation journal entries during only two of 12 (17%) months. CAPP Manual Topic 20355 requires that Wildlife Resources must allocate the expenses recorded in the convenience account codes to the appropriate actual account codes which reflect the type of purchase in a timely manner. Wildlife Resources should improve their controls over SPCC to ensure timely completion of reconciliation and reallocation of purchases in accordance with CAPP Manual Topic 20355.

Capital Assets

- **Partial Repeat** – Wildlife Resources is not properly completing a reconciliation of capital assets between their internal capital asset management system, the Commonwealth's accounting and financial reporting system, and the Commonwealth's capital asset management system. In response to prior findings, Wildlife Resources began formally documenting the process in which they reconcile their internal capital asset system to the Commonwealth's accounting and financial reporting system. However, there is no reconciliation to the Commonwealth's capital asset management system. CAPP Manual Topic 31010, specific to users of internal capital asset systems other than the Commonwealth's capital asset system, requires the quarterly reconciliation of the three systems. Furthermore, CAPP Manual Topic 30905 includes the specific requirements for completing the reconciliation. Wildlife Resources should improve their reconciliation process to ensure performance in accordance with CAPP Manual Topics 31010 and 30905.

- **Partial Repeat** – Wildlife Resources did not properly document the inventory of capital assets recorded within their internal capital asset management system. Wildlife Resources conducted an inventory in March 2023; however, the documentation included numerous assets where there was no inventory completion date. CAPP Manual Topic 30505 requires that agencies inventory all assets at least once every two years. Wildlife Resources should improve its documentation of inventory to provide evidence that it completed an inventory of all assets at least once every two years in accordance with CAPP Manual Topic 30505.
- Wildlife Resources does not have adequate segregation of duties in place related to their internal capital asset management system. There is no process or control within the system which requires a secondary review or approval of the various data elements recorded within the system. Wildlife Resources should implement segregations of duties related to the capital asset management system to ensure the accuracy of the data and the safekeeping of assets.
- Wildlife Resources is not properly accounting for leases or identifying all required elements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87. Wildlife Resources did not identify all potential lessor leases or embedded leases and did not do an evaluation to determine the correct interest rate. Wildlife Resources also does not have documented policies and procedures for ongoing identification and recording of leases. CAPP Manual Topic 31200, which references GASB Statement No. 87, requires agencies to group leases for recording in the lease accounting system to ensure proper classification of leases as long-term and short-term; and to evaluate explicit, implicit, and incremental borrowing rates before using the prime rate for a reasonable and accurate interest rate. Management should develop lease policies and procedures that comply with GASB Statement No. 87 and properly record and classify leases in accordance with this standard.
- Wildlife Resources is not properly identifying or accounting for subscription-based information technology arrangements (SBITAs) in accordance with GASB Statement No. 96. Wildlife Resources was not able to provide documentation supporting its evaluation of contracts and financial activity to identify SBITAs and did not perform an evaluation to determine the correct interest rate. In addition, Wildlife Resources does not have documented policies and procedures for ongoing identification and recording of SBITAs. CAPP Manual Topic 31300, which references GASB Statement No. 96, requires agencies to determine and record the necessary accounting information in the Commonwealth's lease 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 policies and procedures that comply with GASB Statement No. 96 and properly record and classify SBITAs in accordance with this standard.

Information System Security

- Wildlife Resources' current process for evaluating and determining system sensitivity classifications does not align with the requirements of the Commonwealth's Information Security Standard, SEC 530 (Security Standard). Wildlife Resources considers systems to be sensitive if it contains data that is exempt from the Freedom of Information Act requirements set forth in § 2.2-3700 of the Code of Virginia. The Security Standard requires Wildlife Resources to evaluate its systems; the business processes the systems support; and data transmitted, processed, and stored in consideration of the criteria of confidentiality, integrity, and availability when determining sensitivity classifications. Without properly evaluating and classifying systems as sensitive Wildlife Resources is unable to ensure it secures its information technology (IT) environment in accordance with the Security Standard. This includes, but is not limited to, performance of risk assessments, IT security audits, and implementation of the various security controls outlined in the Security Standard. Wildlife Resources should develop and implement a process which properly evaluates and determines system sensitivity classifications to ensure its IT environment follows the requirements of the Security Standard.
- Wildlife Resources did not obtain and review a System and Organization Controls (SOC) report for a third-party provider who provides hosting services for three different systems. As such, Wildlife Resources did not document an evaluation of the SOC report and the complementary user entity controls described within the report. CAPP Manual Topic 10305 and the Commonwealth's Security Standard requires agencies to have an adequate level of interaction with third-party providers to give agencies an understanding of the providers' internal control environments and any complementary controls the agency would need to implement. Agencies must also maintain oversight of the provider to gain assurance over outsourced operations. Wildlife Resources should develop policies and procedures over the review of SOC reports and obtain and comprehensively evaluate SOC reports timely.
- Wildlife Resources does not maintain and test its Continuity Plan in accordance with the Security Standard. Wildlife Resources has a Continuity Plan; however, Wildlife Resources has not updated or tested the plan since 2020. Wildlife Resources should ensure it updates the Continuity Plan annually or more frequently as needed as required by the Security Standard. Wildlife Resources should test the plan on an annual basis to ensure it can restore mission critical and sensitive systems in a timely manner in the event of an outage or disaster.

Financial Reconciliations

- Wildlife Resources is not properly completing reconciliations between the Commonwealth's human resources system and the retirement benefits system. Wildlife Resources is not reconciling creditable compensation and other retirement data between the two systems prior to the monthly confirmation of the retirement benefits systems contribution snapshot. CAPP Manual Topic 50470 requires the monthly reconciliation of creditable compensation and other retirement data between the two systems prior to confirming the snapshot to ensure complete, accurate, and timely payroll and retirement deductions. Wildlife Resources should reconcile retirement data each month in accordance with CAPP Manual requirements prior to confirming the snapshot.
- Wildlife Resources does not complete sufficient financial system reconciliations for all required levels in accordance with CAPP Manual Topic 20905. The current reconciliation does not include appropriations and allotments or capital project expenses. In addition, for the expense reconciliations reviewed, there was no supervisory review of the reconciliations. Further, for one of the two months reviewed, Wildlife Resources did not complete the expense reconciliation timely and did not investigate all reconciling items. Wildlife Resources should ensure timely and proper completion of financial system reconciliations at the appropriate levels in accordance with CAPP Manual Topic 20905 and should ensure management reviews and approves the reconciliations.

General Internal Controls

- Wildlife Resources has formal, documented policies and procedures over some of its significant business processes. However, we identified several critical business areas where Wildlife Resources should develop or improve policies and procedures to maintain an effective control environment. CAPP Manual Topic 20905 states the following: "As with every topic in this manual, CAPP Manual procedures alone never eliminate the need and requirement for each agency to publish its own internal policies and procedures documents, approved in writing by agency management. The lack of complete and up-to-date internal policies and procedures, customized to reflect the agency's staffing, organization, and operating procedures, reflects inadequate internal control." Management should develop and implement documented policies and procedures for all critical business processes that provide enough detail to allow an individual new to the process to follow them. This will allow operations to continue in the event of turnover and ensure consistency with the processing of transactions across the organization. In addition, management should continue to develop a process to review and approve all policies and procedures either annually or as needed and maintain documentation of the process.
- Wildlife Resources does not meet the minimum requirements set by the Accounts ARMICS standards and CAPP Manual Topic 10305. Wildlife Resources conducts surveys of employees

but does not properly complete the following minimum requirements relating to assessment of risk and testing.

- Document all key elements of the control environment over integrity and ethical values, promotion of ethics and appropriate conduct, organizational structure, and assignment of authority and responsibilities.
- Document specific agency-level control activities applicable to all significant fiscal processes, accounting administration, and the general ledger. Also, Wildlife Resources must test the effectiveness of these controls and document the results of the tests.
- Document and assess how the agency gathers, uses, and disseminates information, along with how the agency communicates with internal and external parties.
- Document and assess how the agency monitors its internal controls and the effectiveness of the activity.
- Document consideration of the risk of fraud at the agency-level and transaction-level.

Furthermore, CAPP Manual Topic 10305 requires that the Wildlife Resources Fiscal Officer and Agency Head complete an annual certification of ARMICS to Accounts. The Wildlife Resources Agency Head did not complete the fiscal year 2023 annual certification timely. Wildlife Resources should develop and implement processes which ensure ARMICS documentation meets the minimum requirements issued by Accounts and complete the annual certification timely.

We discussed these matters with management on November 7, 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 the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

Sincerely,

Staci A. Henshaw
Auditor of Public Accounts

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COMMONWEALTH of VIRGINIA

Department of Wildlife Resources

Travis Voyles
Secretary of Natural
and Historic Resources

Ryan J. Brown
Executive Director

December 6, 2024

Staci Henshaw
Auditor of Public Accounts
101 N 14th Street
8th Floor
Richmond, VA 23219

Dear Ms. Henshaw:

Thank you for your review of the Department of Wildlife Resources. We share your goals with respect to ensuring an appropriate internal control environment and financial transparency within the Agency. We concur with the findings and understand the need to take corrective measures. The Agency, as we have shared with your team in subsequent meetings, has already implemented several measures to address the findings. Below is a brief outline of the actions the department has taken, or plans to take, to address the findings.

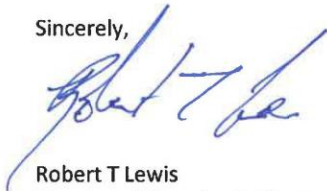
- **Journal Entries:** DWR has revised its policies and procedures to ensure documentation is included with any journal prepared for processing. All journals must be reviewed, and now require signature approval to be obtained prior to entering a journal entry into Cardinal for processing. Monthly reconciliation of entries has been reinforced and policies strengthened.
- **Expenses:** DWR added additional training to staff as well as reviewed and revised policies in relation to Accounts Payable processing. DWR is also in the midst of a comprehensive review of its revenue and expenditures patterns to increase cash flow to match expenditures and revenues ebbs and flows. Reconciliation and review of processing has been addressed by management with revised policies enacted.
- **Capital Assets:** DWR has worked with existing staff in proper reconciliation between the Agency's internal asset management system, the Commonwealth's accounting and financial reporting system, and the Commonwealth's capital asset management system. The Agency has added additional training to staff to address deficiencies. DWR has also strengthened policies to record proper inventory dates for physical assets. The Agency has revised capital assets policies to include additional oversight for recording and reconciling of capital assets. DWR is revising lease policies and procedures that comply with GASB Statement No. 87 to properly record and classify leases in accordance with this standard, as well as reviewing and updating its policies in reference to SBITA and GASB 96.

7870 VILLA PARK DRIVE, SUITE 400, P.O. BOX 90778, HENRICO, VA 23228
Equal Opportunity Employment, Programs and Facilities

- **Information Security:** DWR had followed policies written by VITA and had not at the time of the ICQ revised its policies to match the more current revisions by VITA. DWR has revised policies to evaluate sensitivity systems. DWR is working to implement new processes to properly evaluate and determine system sensitivity classifications to ensure its IT environment follows the requirements of the Security Standard. DWR has revised policies to ensure all SOC reports are obtained from 3rd party service providers in a timely manner. DWR is updating its Continuity of Operations Plan (COOP) and will include annual review and testing of the Continuity of Operations Plan.
- **Financial Reconciliations:** DWR is working with Payroll Service Bureau and also strengthening its internal policies regarding the reconciling of the human resources system and the retirement benefits system. Credible Compensation is being reviewed and reconciled, however DWR has emphasized additional training for staff to complete reconciliations in a timelier manner. DWR has also developed additional policies regarding financial reconciliation. Management review and signature approval has been added.
- **General Internal Controls:** DWR is in the process of a comprehensive review of all policies in all financial areas. DWR had conducted a review of financial areas prior to the initial APA review. The agency reassigned a staff member in April of 2024 to oversee ARMICS and review of all policies and procedures of business processes. This staff member is working all business areas to strengthen or revise processes to match policies. DWR has undertaken additional training for all staff in the financial areas with documented procedures, training manuals and videos being made available for review. Management will review training as needed to ensure it meets all CAPP Manual and other State guidance (APSPM etc.,)

Again, thank you for your valued input from the report and exit meeting. We appreciate the opportunity to comment on these very important matters.

Sincerely,



Robert T Lewis
Director of Planning & Finance
Department of Wildlife Resources