



VIRGINIA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF JULY 2021

Auditor of Public Accounts

Staci A. Henshaw, CPA

www.apa.virginia.gov

(804) 225-3350



- TABLE OF CONTENTS -

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



Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

October 26, 2021

Bradley Copenhaver, Commissioner
Virginia Department of Agriculture and Consumer Services
102 Governor Street
Richmond, VA 23219

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Virginia Department of Agriculture and Consumer Services** (Agriculture). We completed the review on July 6, 2021. 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 Agriculture 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 Agriculture. 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

The corrective action for all prior review findings will be evaluated in the report titled “Cycled Agency Information Systems Security Review” which will be issued later this year.

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 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. Our review of Agriculture’s ARMICS program included a review of all current ARMICS documentation and a comparison to statewide guidelines established by Accounts. Further, we evaluated the agency’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 and expenses, and grants management. 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 existing policies and procedures to ensure all critical business areas, such as subrecipient monitoring, are covered in agency-specific policies and procedures. Further, we noted that there are policies and procedures that Agriculture has not reviewed and updated since fiscal year 2012. Management should ensure documented policies and procedures exist for all critical business processes and are periodically reviewed in order to maintain an effective control environment and ensure continuity of operations.
- Agriculture has not been reviewing System and Organization Controls (SOC) reports of its third-party service provider for credit card processing. The contract with the provider is administered through the Department of Treasury (Treasury) and Agriculture has been relying on Treasury’s review of the SOC reports. However, Agriculture should review the service provider’s SOC reports as it pertains to the agency’s operations to gain assurance over

the service provider's control environment and to ensure Agriculture is in compliance with Commonwealth's Accounting Policies and Procedures Manual Topic 10305.

We discussed these matters with management on September 17, 2021. 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,

Staci A. Henshaw
Auditor of Public Accounts

JDE/vks



COMMONWEALTH of VIRGINIA

Department of Agriculture and Consumer Services

PO Box 1163, Richmond, Virginia 23218

www.vdacs.virginia.gov

Bradley Copenhaver
Commissioner

November 17, 2021

Ms. Staci Henshaw, CPA
Auditor of Public Accounts
101 North 14th Street, 8th Floor
Richmond, VA 23219

Dear Ms. Henshaw:

Thank you for the opportunity to review the Department of Agriculture and Consumer Services' internal control environment. The agency leadership concurs with the items noted as requiring attention, and efforts are underway to:

- Expand existing policies to ensure all critical business areas are addressed in agency-specific policies and periodically review policies for critical business processes; and
- Review System and Organization Controls (SOC) reports for the third-party service provider for credit card processing.

We appreciate the opportunity to work with your staff on this review, and we look forward to addressing concerns to ensure that the Department of Agriculture and Consumer Services remains a good steward of the Commonwealth's resources.

Sincerely,



Bradley Copenhaver
Commissioner

-Equal Opportunity Employer-