



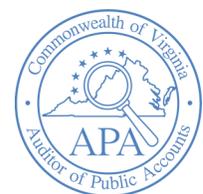
DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF JULY 2018

Auditor of Public Accounts
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Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
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December 13, 2018

Jennifer Mitchell, Director
Department of Rail and Public Transportation
600 E. Main Street
Richmond, VA 23219

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire, completed on July 20, 2018, for the **Department of Rail and Public Transportation** (Transportation). 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 Transportation 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 Transportation. 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 Transportation, 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: grants management and expenses. 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:

- Transportation does not have finalized and complete policies and procedures for their fiscal year-end attachment process and their reconciliation to the Commonwealth accounting and reporting system. Management is currently working on creating these policies and procedures; however, they were not complete or in use during the time of our review. Transportation should document and finalize their policies and procedures over these areas, and ensure that sufficient policies and procedures cover all essential business functions.

- Transportation does not meet the minimum requirements documented in the Department of Accounts' ARMICS standards for agency level risk assessments and transaction level testing. Transportation last conducted their agency level assessment in fiscal year 2014. Per the Department of Accounts, best practice is to complete this process at least every three years. In addition, Transportation is missing the following items to meet the minimum requirements documented in the ARMICS standards:
 - Transportation did not document and assess key elements of the control environment.
 - Transportation did not document and assess agency-level control activities applicable to: all significant fiscal processes, accounting administration, the general ledger, and information systems.
 - Transaction level testing for fiscal year 2017 did not have sufficient documentation.
- Transportation does not review the Cancelled Record Report from the Commonwealth's human resource system. Per the Memorandum of Agreement between Transportation and the Department of Human Resources (Human Resources), Transportation is required to review the report and inform Human Resources of any discrepancies so that Human Resources can remedy them. Transportation should regularly review the report to ensure employee information properly interfaces and is accurately recorded in the retirement system. In addition, management should ensure this report is incorporated in its formally documented procedures for the monthly payroll and retirement reconciliations.

We discussed these matters with management on November 16, 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



COMMONWEALTH of VIRGINIA

Jennifer L. Mitchell
Director

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December 18, 2018

Ms. Martha S. Mavredes
Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Dear Ms. Mavredes:

Thank you for affording the Department of Rail and Public Transportation (DRPT) the opportunity to comment on the Results of the Internal Control Questionnaire Review. You detailed out three areas of opportunities to strengthen our internal controls.

All policies and procedures will be finalized no later than the end of 2018. In addition, we are incorporating your suggestions to our ARMICS documentation. Finally, we are making the review of the "PMIS Cancelled Record Report" a monthly function in coordination with the Department of Human Resource Management.

Thank you and your staff for your assistance during this review. We look forward to working with you in the future.

Sincerely,

A handwritten signature in cursive script that reads "Jennifer Mitchell".

Jennifer Mitchell
Agency Head

The Smartest Distance Between Two Points
www.drpt.virginia.gov