

ARMICS Frequently Asked Questions (FAQs)
Updated September 2015

Q: When is the ARMICS certification due?

A: The certification is due on September 30th of each year. The agency is certifying that as of FYE June 30, "The [Agency] has completed its control assessment of the agency level risks and significant fiscal processes at the transaction level". If significant weaknesses were identified, the agency submits a corrective action plan along with the certification.

Q: Who is responsible for ARMICS?

A: For each agency identified in the Appropriation Act, responsibility for implementing internal control standards begins with the chief executive officer (agency head) and extends to everyone in the agency. Each agency head personally holds the leadership responsibility for helping to design, implement, maintain, and champion an internal control program that encompasses all agency fiscal programs and related activities. Each agency's chief financial officer shares this leadership role, yet ultimately accountability remains with the agency head.

Q: How often should the Agency-level internal control evaluation be completed?

A: The ARMICS Agency-level Assessment should be repeated at least every three years as a best practice. If there is a change in leadership, a change in policies, processes, or procedures or any other significant change that affects the agency, then the Agency-level Assessment should be repeated sooner. Per the CAPP Manual Topic No. 10305, *Internal Control*:

Once the [Agency-level assessment] has been successfully implemented, the agency does not have to repeat this process each year. However, the agency should refresh and refine the agency-level control evaluation every year considering:

- Any changes to the organization, its management, or functions from prior implementations of ARMICS;
- Enhancements identified internally from prior ARMICS experiences, DOA Quality Assurance Reviews (QARs), APA audits, internal audits or other sources;
- Information from the most recent S.W.O.T. (Strengths, Weaknesses, Opportunities, and Threats) analysis; and,
- Best internal control practices from industry, governments, and other agencies.

Q: Could DOA provide templates to address common weaknesses such as Code of Ethics for agencies that do not have one?

A: Providing cookie cutter solutions across agencies is not a good way to address solving internal control weaknesses. Each agency is unique and standard approaches would only address the requirement to have something. The goal is to have functioning controls that an agency considers its own. State Police, Economic Development, and Social Services are three state agencies; however, their missions and goals probably vary significantly. This variance should be reflected in each agency's strategic plan. Also, because of their emphasis on different matters, their values and guiding principles would also vary. Given these differences each agency should have its own Code of Ethics emphasizing the concepts of what each agency is

about. DOA recommends that each agency explore their own Code of Ethics based on their purpose as an agency. A good time to do this would be when Strategic Plans are reviewed and top management comes together. In the interim an agency may want to adapt a stop gap Code of Ethics based on general key concepts until they can collaborate on a true comprehensive agency based Code of Ethics.

Q: Who should receive agency-level questionnaires?

A: Survey recipients should vary based on the questions. In many instances the questions should flow all the way down to the lowest staff positions. It is important to determine if top management's perception of the control environment parallels what the employees think. Variances may be due to communication issues or misunderstanding on both sides of the equation. NOTE: Surveys are NOT a test of control, nor do they verify the existence of a control. Surveys can help an agency identify problem areas. They can be part of an assessment, but not THE assessment. Surveys are not required by ARMICS. They are a tool that can be used.

Q: We are a small agency and some of the questionnaires do not apply very well to our situation. How do we address this?

A: ARMICS was designed to be a flexible process to address the variation found among agencies. The agency-level questionnaires were designed to give agencies a starting point for the ARMICS process. Please feel free to edit and adapt the questions to your particular circumstances. Just remember to ensure that the underlying concepts are still addressed.

Q: How much of the process should an agency document if the full processing of a transaction is shared by a central agency?

A: The agency should document the parts of the process for which it is responsible. The process documentation should state when the process is handed off to a Central agency or their system and when returned to the agency from the Central operation.

For Example: An agency using CARS to process expenditures goes through their agency controlled processes. Obtains a purchase order, invoice, and receiving report and releases the data into CARS. The agency process stops. CARS performs several processes and control edits. CARS generates reports and provides them to the agency (ReportLine). Now the agency returns to the process control picture as they utilize the various report output provided by CARS.

Q: How often should the transaction-level assessment be completed?

A: The transaction-level assessment should be revisited every year. Per the CAPP Manual Topic No. 10305, *Internal Control*:

Once this process [transaction-level assessment] has been successfully implemented the agency should update and retest the transaction-level controls every year by completing the following:

- Determine if any organizational changes occurred to require a re-evaluation of the fiscal processes determined to be significant for the agency. All new significant fiscal processes should be documented, controls evaluated, and key controls tested;

- Determine if there were any changes to areas identified as significant fiscal processes. Reevaluate the controls for those processes experiencing change, document the process changes, and test the key controls to ensure they function as intended; and,
- For all significant fiscal processes that have not changed since the prior year, retest the key controls to ensure that they are still working.

Processes that were improved as the result of completing corrective actions identified in prior ARMICS reviews should be tested to ensure the new controls have adequately addressed the internal control weakness.

Q: How should testing be performed?

A: The depth of testing will vary with the subject material being tested. A test could be simply observing and briefly reviewing a document or drawing a sample of records to test an attribute. The professional choice of how to test is left to agency management, however, testing needs to be of sufficient quantity and quality to reach conclusions on control effectiveness. The key controls should be targeted for testing.

Q: How should testing be documented?

A: The way your agency tests its significant fiscal processes should be documented. Results of surveys and risk assessments; identification of key controls and justification; audit trail of monitoring efforts; and support of transaction-level testing should be included in the documentation of ARMICS. Ensure comprehensive procedure documents are retained and available for internal and external reviewers and auditors.

Q: What constitutes a process being considered significant?

A: The definition of a significant fiscal process is affected by numerous factors such as organizational structure, program size, complexity and timing pressure, regulatory environment, materiality, etc., and will vary by agency. A fiscal process may be significant if it is associated with programs or activities that:

- Consume a proportionally large share of agency resources;
- Have a high-degree of public visibility;
- Represent areas of concern and high risk to mission-critical business processes for agency managers and stakeholders, or;
- Have a significant effect on general ledger account balances or the financial reporting process.

Q: I am concerned that covering only the significant financial processes leaves many crucial internal control issues out of the process. Shouldn't we address these as well?

A: Controls affecting the entire agency (information systems, security, continuity of operations planning, etc.) are addressed in the agency-level control assessment. Significant processes are assessed as part of the transaction-level control assessment. The focus of ARMICS is on significant fiscal processes but any process that 1) consumes a large share of resources, 2) could land your agency in the newspaper, or 3) represent an area of concern to agency managers and stakeholders, should be included in the internal control evaluation and that process should be assessed as part of ARMICS.

Q: Does an agency have to develop Corrective Action Plans for all weaknesses identified?

A: No, ARMICS Standards only require that significant weaknesses in Internal Control be addressed by a Corrective Action Plan filed with the Comptroller's Office. However, it is recommended that other weaknesses and areas needing improvement found during the ARMICS process be addressed by the agency. These improvements should be monitored and tracked as part of the agency's internal ARMICS documentation.

Q: How often should a Corrective Action Plan be completed?

A: Anytime a significant weakness is identified by either the agency-level or transaction-level evaluations, and the issue has not been remedied prior to certification, a corrective action plan should be developed and submitted, along with the certification, to DOA by September 30. The agency has one year from the certification date to correct any significant weaknesses that are identified.

If the agency is found to be in non-compliance with the ARMICS process as a result of a DOA review, or if the agency submits Exhibit 4 stating the agency has not completed the ARMICS process, a corrective action plan is required.

An updated corrective action plan is required every 90 days until the issues have been taken care of.

Q: What should Internal Audit's role be in the ARMICS process?

A: Internal auditors hold essential responsibilities for assessing, testing, and reporting on internal control. Although internal auditors can provide valuable consultative services with regard to control design, function, and assessment, they cannot relieve management of its responsibility. Agency management may use the internal auditor's analysis of internal control in management's assessment of internal controls; however, the internal auditor's work cannot be substituted for management's independent analysis and documentation of agency internal control.

Q: What are the consequences of not complying with the ARMICS requirements?

A: ARMICS is designed to help agencies analyze risk associated with their processes, and not to be viewed as 'just another deadline to meet'. Completing ARMICS will give the agency a chance to identify risk and significantly reduce the threat of unacceptable risk of error and fraud through testing. Additionally, failure to comply with ARMICS could result in citation in the Comptroller's Quarterly Report on Compliance, notification to the Auditor of Public Accounts, and/or removal of decentralized status.

Q: Is there a guide or checklist that would help agencies meet all of the requirements of ARMICS?

A: The ARMICS Checklist for agencies is on the DOA website:
http://www.doa.virginia.gov/Admin_Services/ARMICS/ARMICS_Review_Checklist_Agency.pdf

Q: Are the ARMICS documents of agencies subject to FOIA?

A: There is a FOIA exemption under the Code of Virginia (§ 2.2-3705.2(13)) for certain records of internal controls of the Commonwealth's financial processes and systems.