



DEPARTMENT OF HEALTH PROFESSIONS

INTERNAL CONTROL QUESTIONNAIRE

REVIEW RESULTS

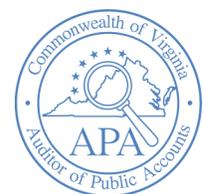
AS OF AUGUST 2025

Auditor of Public Accounts

Staci A. Henshaw, CPA

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Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 21, 2025

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Arne Owens
Executive Director, Department of Health Professions

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Department of Health Professions** (Health Professions). We completed the review on August 28, 2025. 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 Health Professions 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 Health Professions. 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 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 Health Professions. Further, we evaluated Health Professions' 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; procurement and contract management; capital assets; 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:

- Health Professions did not terminate an employee in a timely manner. Human Resources did not enter the termination into the Commonwealth's human resource and payroll management system until 124 days after the termination date. This resulted in Health Professions making a bonus payment to the employee 71 days after termination. Management was not aware of the inappropriate payment until this review. In addition, Health Professions removed system access for this employee 94 days after termination. Management should develop internal controls over employee terminations and initiate termination processes in a timely manner to avoid inappropriate disbursements after termination and untimely removal of system access.
- Health Professions is not properly identifying and accounting for leases in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87. Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 31200, which references GASB Statement No. 87, requires agencies to properly identify leases and 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 resorting to using the prime rate for a reasonable and accurate interest rate. Management should update lease processes and ensure it properly records and classifies leases.

- Health Professions is not properly accounting for subscription-based information technology arrangements (SBITA) in accordance with GASB Statement No. 96. Health Professions does not have an established process for identification 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 accounting 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 procedures that comply with GASB Statement No. 96 and properly record and classify SBITAs in accordance with this standard.
- Health Professions did not perform a retroactive analysis of potential aggregated assets in accordance with GASB Implementation Guide 2021-1 Question 5.1, Department of Accounts guidance email, and CAPP Manual Topics section 30000. Health Professions should perform a retroactive analysis to determine if any aggregated assets should be capitalized and record the capitalizable aggregated assets in the Commonwealth’s capital asset system.
- Health Professions has formal, documented policies and procedures over many of its significant business processes. However, during our review, we identified several critical business areas where Health Professions should develop or improve policies and procedures to maintain an effective control environment. Topic 20905 and other sections of the CAPP Manual require each agency to “publish its own policies and procedures documents, approved in writing by agency management.” Management should continue working to ensure detailed policies and procedures exist for all critical business areas. 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.

We discussed these matters with management on September 12, 2025. 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

JDE/clj



COMMONWEALTH of VIRGINIA

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Director

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December 18, 2025

Staci Henshaw
Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Dear Ms. Henshaw,

We appreciate the professionalism and thoroughness displayed by the Auditor of Public Accounts staff during this Internal Control Questionnaire review. In addition, we are grateful for the opportunity to respond to the Results Letter dated November 21, 2025.

For the first item mentioned in your review results letter, HR was not notified of the employee separation from the hiring manager until the 124-day mark, at which time the separation was promptly keyed into Cardinal. The offboarding policy is being reviewed for any necessary updates. Managers and supervisors will be reminded by the Agency Director, Human Resources, and Information Security Officer on a regular basis of the importance for providing notification of separation from the Agency. Additionally, HR has initiated collection action to recover the bonus payment from the employee in question.

For the other items mentioned in your review results letter, DHP acknowledges the need to strengthen its policies and procedures as they relate to leases, SBITAs and aggregate assets.

We have begun the above work and anticipate completion by March 31, 2026.

Sincerely,

Arne Owens
Director