



DEPARTMENT OF HISTORIC RESOURCES

INTERNAL CONTROL QUESTIONNAIRE

REVIEW RESULTS

AS OF MARCH 2022

Auditor of Public Accounts

Staci A. Henshaw, CPA

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Commonwealth of Virginia

Auditor of Public Accounts

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P.O. Box 1295
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April 22, 2022

Julie V. Langan, Director
Department of Historic Resources
2801 Kensington Avenue
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INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Department of Historic Resources** (Historic Resources). We completed the review on March 18, 2022. 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 Historic 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 Historic 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 all prior review findings. The agency has taken adequate corrective action with respect to review findings reported in the prior review conducted in 2019.

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 Historic Resources' ARMICS program included a review of all current ARMICS documentation and a comparison to statewide guidelines established by Accounts. Further, we evaluated Historic 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, revenues and 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:

- Historic Resources uses the last completed fiscal year inventory as a starting point for the current inventory. The system of record, the Commonwealth's fixed asset system, should be the starting point for the bi-annual inventory for assets over \$5,000. For items below the capitalization threshold, the starting point should be the current list of assets, not the last inventory completed. Historic Resources risks not including all assets within the inventory by not using the most recent listing.
- Historic Resources is not properly disposing of assets in the Commonwealth's fixed asset system. Historic Resources included 15 assets the agency is no longer in possession of in the Commonwealth's fixed asset system. CAPP Manual Topic 30805 states that it is important

for assets that are no longer under the control of the agency to be disposed of in the Commonwealth's fixed asset system to ensure that capital asset information is accurate. Historic Resources should record disposals in the Commonwealth's fixed asset system during the fiscal year in which the change in asset status occurred.

We discussed these matters with management on March 29, 2022. 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 Historic Resources

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Travis A. Voyles
*Acting Secretary of Natural and
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To: Staci Henshaw

From: Stephanie Williams, Deputy Director

Date: May 13, 2022

Re: Response to ICQ Exit Memo

Ms. Henshaw,

Please find below DHR's response to the APA's ICQ Exit Memo. This response was previously transmitted to Melinda Crawford on March 30, 2022.

Capital Assets and Leases

During our review, we noted the following item related to capital assets and leases:

- Historic Resources uses the last completed fiscal year inventory as a starting point for the current inventory. The system of record, the Commonwealth's fixed asset system, should be the starting point for the bi-annual inventory for assets over \$5,000. For items below the capitalization threshold, the starting point should be the current list of assets, not the last inventory completed. Historic Resources risks not including all assets within the inventory by not using the most recent listing.

AGENCY RESPONSE: We use the "Additions to FYXX" section of the spreadsheet to add items purchased for that fiscal year, so we actually build on the last inventory with current purchases. Going forward, we will start a current listing of the controlled assets. We use the potential fixed assets query to identify any possible fixed assets. We noted on the Fixed Assets report from FAACS what items we included on the spreadsheet. Going forward, we will use the FAACS report as the base for the inventory of assets over \$5,000.

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- The asset listing utilized by Historic Resources does not include the purchase price of all assets, therefore reviewer was unable to tell if those assets should be recorded in the Commonwealth's fixed asset system.

AGENCY RESPONSE: Any items added to the listing will include the purchase price. Please note that some items have been listed on the spreadsheet for decades.

- Historic Resources is not properly disposing of assets in the Commonwealth's fixed asset system. Fifteen assets the agency is no longer in possession of, are included in Commonwealth's fixed asset system. CAPP Manual Topic 30805 states that it is important for assets that are no longer under the control of the agency to be disposed of in the Commonwealth's fixed asset system to ensure that capital asset information is accurate. Historic Resources should record disposals in the Commonwealth's fixed asset system during the fiscal year in which the change in asset status occurred.

AGENCY RESPONSE: We will remove all surpluses from FAACS.

Thank you very much,



Stephanie B. Williams
Deputy Director, Department of Historic Resources

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