



GENEDGE ALLIANCE

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF JUNE 2022

Auditor of Public Accounts
Staci A. Henshaw, CPA

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Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
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September 6, 2022

Bill Donohue, President/Executive Director
GENEDGE Alliance
32 Bridge Street South, Suite 200
Martinsville, VA 24112

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **GENEDGE Alliance** (GENEDGE). We completed the review on June 27, 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 GENEDGE 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 GENEDGE. 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 that are not repeated in the "Review Results" section below.

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 GENEDGE's ARMICS program included a review of all current ARMICS documentation and a comparison to statewide guidelines established by Accounts. Further, we evaluated GENEDGE'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, procurement and contract management, 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:

- **Partial Repeat** – GENEDGE retains information system audit logs; however, there is no documentation of the reviewer or the date of the review to show that GENEDGE reviewed the logs timely. Additionally, while GENEDGE maintains documentation of system access and continually monitors access, there is no documentation of the review. GENEDGE should maintain documentation of security access reviews of information systems to ensure timely completion of reviews.
- **Partial Repeat** – GENEDGE's ARMICS process covers most of the minimum requirements set by the Department of Accounts; however, we noted some requirements that GENEDGE did

not meet. Management should ensure that the ARMICS process covers all the requirements set by the Department of Accounts.

- GENEDGE has formal, documented policies and procedures over many of its significant business processes. However, during our review, we identified several business areas where GENEDGE should expand the policies and procedures to maintain an effective control environment. Management should 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.
- GENEDGE did not have documentation to show the system access termination date as well as the collection of GENEDGE property for one terminated employee reviewed. GENEDGE should ensure that the employee termination process includes documentation of timely system access removal as well as documentation of the collection of GENEDGE property from a terminating employee.
- GENEDGE does not maintain documentation of the sign off and approval of financial system reconciliations. GENEDGE should ensure that all reconciliations include documentation of the preparer, reviewer, and the dates the reconciliations are prepared and reviewed.

We discussed these matters with management on July 20, 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/clj



October 1, 2022

Ms. Staci A. Henshaw, CPA
Auditor of Public Accounts
Commonwealth of Virginia
James Monroe Building
101 North 14th Street 8th Floor
Richmond, VA 23219

Dear Ms. Henshaw,

RE: 2021 INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

Virginia's Philpott Manufacturing Extension Partnership, dba GENEDGE Alliance, a political subdivision of the Commonwealth of VA, appreciates the services performed this year by the APA team. We found the APA process of auditing GENEDGE operations based on the GENEDGE prepared Internal Control Questionnaire responses to be very well executed and insightful. The APA team has provided five recommendations as a result of the review which GENEDGE concurs with. The areas which require management attention, and our intended actions on each finding are as follows:

- 1) GENEDGE has been working on a process that would better prepare documentation of the information system audit logs, the date of the review and the reviewer to show that GENEDGE is reviewing IT logs in a timely manner. GENEDGE will also do a better job of maintaining documentation of system access and the continuous monitoring that GENEDGE performs.
- 2) GENEDGE has improved its compliance with the ARMICS process, and the deficiencies that have been identified by the APA will be addressed going forward. In particular, GENEDGE will explore how it can use its external audit to satisfy the transaction level testing requirement, and a SWOT Analysis will be performed on an annual basis.
- 3) GENEDGE has made tremendous progress on formalizing its processes in a documented form. It will continue to work on this and will address the APA's findings as it continues to improve the documentation of overall business processes.
- 4) GENEDGE is working on improving documentation to show the system access termination date as well as the collection of GENEDGE property for the processing of terminated employees. GENEDGE is addressing this through strengthening both HR and IT policies and procedures.
- 5) GENEDGE is working on a procedure that will require the documentation of the sign off and approval of financial system reconciliations. That procedure will address documentation of the preparer, reviewer, and the dates the reconciliations are prepared and reviewed.

Sincerely,

Bill Donohue,
President, Executive Director, GENEDGE



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