



# SOUTHWEST VIRGINIA HIGHER EDUCATION CENTER

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF JULY 2022

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# Commonwealth of Virginia

*Auditor of Public Accounts*

Staci A. Henshaw, CPA  
Auditor of Public Accounts

P.O. Box 1295  
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October 10, 2022

David Matlock, Executive Director  
Southwest Virginia Higher Education Center  
One Partnership Circle  
Abingdon, Virginia 24212

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Southwest Virginia Higher Education Center** (Higher Education Center). We completed the review on July 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 the Higher Education Center 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 the Higher Education Center. 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 the Higher Education Center's ARMICS program included a review of all current ARMICS documentation and a comparison to statewide guidelines established by Accounts. Further, we evaluated the Higher Education Center'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, contract management, 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:

- **Repeat** - The Higher Education Center does not have documented policies and procedures for all critical business processes. Topic 20905 and other sections of the Commonwealth Accounting Policies and Procedures (CAPP) Manual require agencies to maintain their own internal policies and procedures. The Higher Education Center has a memorandum of understanding with the University of Virginia (University) for the University to provide administrative support according to the University's policies and procedures. However, the Higher Education Center should maintain its own internal procedures for processes the University does not perform for them and review and update these procedures regularly.
- **Repeat** - The Higher Education Center does not have a documented process for reviewing financial information submitted to Accounts by the University on the Higher Education Center's

behalf for required attachments and monthly accounting system reconciliations. The University prepares and sends submissions to Accounts disclosing the financial position and activity, but the Higher Education Center does not review this information for accuracy or completeness. The State Comptroller's Directive 1-21 states that each institution is responsible for ensuring that submissions provided to Accounts result in complete and accurate information. The University did not submit two attachments for fiscal year 2021; if the Higher Education Center had a process in place to review the attachments, it may have identified this omission. The Higher Education Center should also periodically review the accounting system reconciliations prepared by the University to ensure accuracy and completeness.

- **Partial Repeat** - The Higher Education Center has not updated its disaster recovery plan since March 2017. This is not in compliance Commonwealth's Information Security Standard, SEC 501, (Security Standard) which requires "periodic review, reassessment, testing, and revision of the disaster recovery plan to reflect changes in mission-essential functions, services, IT system hardware and software, and personnel." The Higher Education Center is currently updating its disaster recovery plan and should plan to update it regularly going forward to ensure compliance with the Security Standard.
- For a limited selection of bank reconciliations, there was no documented review to support proper separation of duties. Normally the preparer and the reviewer sign the reconciliation as evidence of proper review and separation of duties; however, in this case only the preparer signed the reconciliation. In addition, the Higher Education Center did not complete one reconciliation timely. The Higher Education Center should update this process to ensure there is proper separation of duties and timely completion of these reconciliations.

We discussed these matters with management on August 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

November 17, 2022

Staci A. Henshaw, CPA  
Auditor of Public Accounts, Commonwealth of Virginia  
PO Box 1295  
Richmond, VA 23218

Dear Ms. Henshaw:

The Southwest Virginia Higher Education Center has reviewed the results of the Internal Control Questionnaire Review that was recently conducted by APA.

We appreciate the opportunity to strengthen controls to maintain an effective control environment and we are pleased to have an opportunity to provide our comments on the review.

The Center acknowledges and concurs with the findings of the review. I will note that the Center has been engaged in extensive discussions in recent months with the University of Virginia to develop a process for reviewing the work that the University performs on behalf of the Center. We have also been continuing our work toward preparing internal procedures and policies to address processes not performed by the University. We also appreciate APA acknowledging our progress toward addressing the IT disaster recovery plan finding. The new finding on bank reconciliations has already been addressed with a new internal process developed. It is our goal to ensure that the Center is in compliance and we will diligently continue our work toward that goal.

We appreciate the assistance of the APA as we work to carry out our mission serving the citizens of Southwest Virginia and the Commonwealth.

Please contact me if I can be of further assistance. Again, I would like to thank you and your staff for the valuable services you provide.

Sincerely,



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