



GENEDGE ALLIANCE

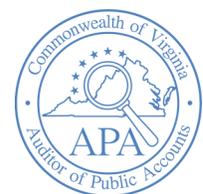
INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF AUGUST 2025

Auditor of Public Accounts

Staci A. Henshaw, CPA

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Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 19, 2025

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Bill Donohue
President/Executive Director, GENEDGE Alliance

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **GENEDGE Alliance** (GENEDGE). We completed the review on August 25, 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 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 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 for GENEDGE. 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:

- **Repeat (First Reported in 2019)** – GENEDGE is in the process of developing a logging and monitoring process for all systems. GENEDGE should maintain documentation of audit logging and monitoring for all information systems to ensure completion of reviews within 30 days as indicated in its internal policy and National Institute of Standards and Technology Special Publication 800 (IT Security Standard).
- **Repeat (First Reported in 2022)** – GENEDGE has formal, documented policies and procedures over many of its significant business processes. However, during our review, we identified several critical business areas where the Authority should develop or improve policies and procedures to maintain an effective control environment. As a best practice, to ensure adequate internal controls exist over its financial operations, 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.

- **Repeat (First Reported in 2019)** – GENEDGE’s ARMICS process covers some of the minimum requirements set by Accounts; however, we identified several requirements GENEDGE did not meet. Specifically, GENEDGE did not document the consideration of fraud, did not document and assess the effectiveness of its monitoring activities, and did not document and assess agency-level and transaction-level controls. Further, GENEDGE did not include a service provider clause for the agency service providers that performed significant fiscal processes for GENEDGE in accordance with ARMICS requirements. GENEDGE should ensure the ARMICS process and documentation meets all the minimum requirements issued by Accounts.
- GENEDGE formally adopted an IT Security Standard; however, GENEDGE has not documented a complete structured approach to implement security controls, such as business impact analysis, disaster recovery plan, continuity plan, and risk assessment for all systems or have detailed policies and procedures to support its information security program. GENEDGE should develop a reasonable frequency for reviewing and updating the comprehensive information security management framework documents. GENEDGE should document and approve information security policies and procedures and ensure they align with the control requirements in its adopted security standard. GENEDGE should also implement a process to ensure the policies and procedures remain current to help protect the confidentiality, integrity, and availability of mission-critical and sensitive data. Furthermore, GENEDGE is considering outsourcing its process of creating a risk assessment to a third-party provider. GENEDGE should ensure all systems have a completed risk assessment that is compliant with the IT Security Standard and reviewed as necessary.
- GENEDGE did not obtain the System and Organization Controls (SOC) report for providers that provide hosting services for a system. As such, GENEDGE did not perform an evaluation of the SOC report and the complimentary user entity controls described within the report. The IT Security Standard requires GENEDGE to have an adequate level of interaction with third-party providers to give GENEDGE an understanding of the providers’ internal control environments and any complementary controls GENEDGE would need to implement. GENEDGE must also maintain oversight of the provider to gain assurance over outsourced operations. GENEDGE should develop policies and procedures over review of SOC reports for information technology providers and obtain and comprehensively evaluate SOC reports timely.
- GENEDGE indicated that it performed a biennial system access review for its employees. However, the IT Security Standard requires continuous monitoring of the security program, including an annual review of security controls. GENEDGE should update its policies and procedures over system access review and complete an annual system access review.
- GENEDGE relied on Patrick & Henry Community College (College) to perform many of its financial functions based on a service agreement established between the two agencies. However, during our review, we found that the current service agreement referred to

outdated processes and systems. GENEDGE should work with the College to maintain an up-to-date service agreement with clearly defined critical responsibilities for both parties.

- GENEDGE did not have a formal signed Change Notice form for one of its contracts as required by the internal contract management policy and the Virginia Public Procurement Act before making a payment related to the change in the contract. GENEDGE should follow its documented change management policy and maintain the appropriate level of documentation, including appropriate signatures, to show evidence of proper authorization for change orders.
- GENEDGE did not off-board an employee timely for one of the two off-boarded employees reviewed. GENEDGE did not notify the College of the employee's termination within 24 hours. GENEDGE should update and implement its procedures to ensure timely communication with all relevant parties of terminated employees to avoid inappropriate disbursements after termination and untimely removal of system access.
- GENEDGE did not perform an analysis of potential aggregated assets in accordance with Governmental Accounting Standards Board (GASB) Implementation Guide 2021-1 Question 5.1 and Department of Accounts guidance email. GENEDGE should obtain an understanding of the relevant guidance, develop a process for evaluating aggregated assets, perform an analysis to determine aggregated assets, and record the capitalizable aggregated assets in the capital asset accounting system.

We discussed these matters with management on August 25, 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



December 19, 2025

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: 2024 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 multiple recommendations as a result of the review which GENEDGE has started to address. 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 prepare better documentation of the reviewer of information system audit logs and the date of the review to show that GENEDGE is reviewing IT logs in a timely manner in accordance with its internal policy and the NIST Publication 800 IT Security Standard.
- 2) GENEDGE has invested considerable time in developing and reviewing its policies and procedures. The organization has established a review process that ensures all financial and procurement procedures are reviewed annually by assigning review and approval tasks through Box.com. This process was already in place during the APA review, and GENEDGE will continue to document it.

Most of the deficiencies related to formal, documented policies and procedures identified by the APA were not highlighted during our 2022 review, and nearly all of those recommendations were addressed before this latest review. As for their new recommendations, the majority have already been attended to, and we aim to address all of them by the end of FY26.

- 3) GENEDGE is dedicated to meeting the minimum requirements of ARMICS, although it acknowledges this has been challenging in past years. As noted in the 2022 review, GENEDGE undergoes an external audit each year, which includes thorough testing of significant transactions. To meet the minimum ARMICS requirements, GENEDGE will focus on improving the documentation of this testing and any additional required assessments. GENEDGE also appreciates the information provided by the APA team regarding the possibility of obtaining a partial ARMICS waiver from the Department of Accounts (DOA), and will further explore this option.

GENEDGE has also revised its Fiscal Agent Agreement to include a Service Provider Clause.

- 4) GENEDGE has discussed outsourcing the creation of a risk assessment to multiple third parties. Based on the time required to perform such a risk assessment and the availability of third parties, GENEDGE aims to have the assessment completed by the end of FY26. Additionally, GENEDGE has already started



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an internal review of its IT policies and procedures to close any gaps prior to that independent assessment. The GENEDGE team will continue work to improve the IT System following the results of the independent assessment.

5) GENEDGE has already developed an annual SOC 1 and SOC 2 policy, which will take effect in FY26. The goal is to fully comply with the APA's recommendations by the end of FY26. Additionally, GENEDGE would like to highlight that many of the providers offering hosting services for its critical systems have obtained FedRAMP authorization, which involved a rigorous review process.

6) GENEDGE will update the policies and procedures to reflect an annual review of security controls and then implement that change in FY26.

7) GENEDGE has updated its agreement with Patrick & Henry Community College to refer to only current processes and systems.

8) In the case in question, a PO had been issued with an initial ceiling and an option at customer discretion to add up to 1000 hours of additional work. The transaction in question was a release of hours within the previously negotiated agreement during the performance period. Nevertheless, GENEDGE needs to improve the documentation of its change order process, which is primarily managed through CRM flows. The organization has been working on an updated operations manual, and it will ensure that the change order process is clearly documented in that manual, including the requirement for a signed change order document.

9) We agree with the finding, but believe it is important to describe the unusual circumstances surrounding this incident. Employee had previously provided a notice of resignation, but stopped work Labor Day weekend one year ago, prior to his written notification date, for personal reasons. The employee did not notify his direct supervisor that he was leaving. He notified a resident manager in his office location, who was unaware that the employee had left early. GENEDGE did fail to communicate properly, as the HR director was not advised until Wednesday after the holiday that the employee had left. We have and will continue to follow-up to ensure that our procedure requiring all parties - internal and external - are made aware at the time of departure, or by the next business day.

10) GENEDGE has not historically purchased a lot of capital assets (whether viewed in the singular or aggregated form). However, GENEDGE has adopted a written procedure and implemented an annual analysis of potential aggregated assets to be capitalized during the preparation of its FY25 filings for the DOA.

Sincerely,



Scott Schein,
Executive Director, GENEDGE