



# VIRGINIA FOUNDATION FOR HEALTHY YOUTH

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF MAY 2021

Auditor of Public Accounts  
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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

August 3, 2021

Marty Kilgore  
Virginia Foundation for Health Youth  
701 E. Franklin St., Suite 500  
Richmond, VA 23219

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Virginia Foundation for Healthy Youth** (Foundation). We completed the review on May 14, 2021. 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 Foundation is responsible for establishing and maintaining an effective control environment.

The Auditor of Public Accounts has developed a new process for auditing agencies that are not required to have an audit every year, which we refer to as “cycled agencies.” Traditionally, we audit these agencies at least once every three years. We now employ a risk-based approach to auditing the cycled agencies. Under this approach, annually we will perform a risk analysis for all of the cycled agencies considering certain criteria and divide the agencies into two pools. One pool will receive an annual audit and the other pool will be subject to review in a special project focused on one area of significance as well as a review of internal controls in the form of a questionnaire. Our intent is that all cycled agencies will complete an internal control questionnaire at least once every three years. This letter is to communicate the results of the Internal Control Questionnaire review.

### 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 Foundation. 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 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 Foundation’s ARMICS program included a review of all current ARMICS documentation and a comparison to statewide guidelines established by Accounts. Further, we evaluated the Foundation’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, expenses, procurement, grants management, and information system security. These procedures included validating the existence of certain transactions; observing controls to determine if the controls are 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:

- For some key business areas, there were no internal policies and procedures, and some existing policies and procedures were not sufficiently detailed to ensure they can be followed in the event of staff turnover. Management should ensure that internal policies and procedures exist over all key business areas in order to maintain an effective control environment.

- The Foundation's process for confirming the accuracy of information reported to the Virginia Retirement System does not include a formal documented monthly reconciliation of creditable compensation between the Commonwealth's human resource and retirement benefit systems. The Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 50410 requires that agencies perform a reconciliation of credible compensation before confirming the accuracy of data in the retirement benefits system in order to ensure that employee's retirement data is accurate. The Foundation should incorporate the reconciliation of creditable compensation between the Commonwealth's human resources and retirement benefits systems into their retirement reconciliation procedures.
- The Foundation has certified to Accounts that it conducted an assessment of internal controls in accordance with ARMICS. However, the Foundation does not meet all of the minimum requirements of ARMICS. The Foundation should complete the entire ARMICS process including the agency-level assessment and the transaction-level assessment to meet the minimum requirements of CAPP Manual Topic 10305.
- The Foundation does not adequately document the date when financial system reconciliations are completed, indicate management's review of reconciliations, nor include documentation showing that the Foundation prepared reconciliations at the appropriate level of detail in accordance with CAPP Manual Topic 20905. The Foundation should ensure that monthly financial reconciliations are properly dated, completed, and reviewed in accordance with CAPP Topic 20905.
- The Foundation did not submit all attachments as required by Accounts for fiscal year 2020. The Foundation overlooked their Attachment CU-7 – Subsequent Events submission. Accounts' Comptroller's Component Unit Directive No. 1-20 establishes compliance guidelines and addresses financial reporting requirements for component units to provide information to Accounts for the preparation of the Annual Comprehensive Financial Report as required by the Code of Virginia. Accounts requires component units to submit information as prescribed in the Comptroller's Component Unit Directives. The Foundation should ensure that they submit all of the required attachments to Accounts and create policies and procedures over this area.
- During our review, we identified several issues surrounding information system security. However, we noted that the Foundation received an external information technology (IT) draft audit report as of May 2021 that included most of these issues. Therefore, we recommend that the agency devote resources to addressing the findings within the IT report. Additionally, we noted that the Foundation does not perform periodic reviews of system access and does not have an adequate process in place to ensure that employees complete annual security awareness training as required by the Commonwealth's Information Security Standard, SEC 501 (Security Standard). The Foundation should ensure that it is complying with all requirements of the Security Standard.

We discussed these matters with management on July 22, 2021. 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



August 30, 2021

Staci Henshaw  
Auditor of Public Accounts  
James Monroe Building  
101 North 14th Street 8th Floor  
Richmond, VA 23219

Dear Ms. Henshaw,

I have received the "Results Letter" for our Internal Control Quality Review and appreciate the detailed feedback regarding areas for improvement. In response to initial feedback from your team, we took several immediate steps prior to receiving our results. These include:

- Establishing an IT security committee that will meet on a routine basis
- Implementing security awareness training in accordance with the Commonwealth's Information Security Standard
- Adopting a new process for VRS reconciliation

We are currently in negotiation with a contractor to assist us in reviewing and documenting our processes, including expanding our ARMICS plan and completing a SWOT analysis. We believe this approach will assist us in documenting our policies and procedures for all key business areas.

Sincerely,

A handwritten signature in black ink that reads "Marty Kilgore".

Marty Kilgore  
Executive Director