



SOUTHERN VIRGINIA HIGHER EDUCATION CENTER

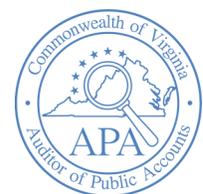
INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF AUGUST 2025

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

Dr. Charlette Woolridge
Executive Director, Southern Virginia Higher Education Center

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Southern Virginia Higher Education Center** (Higher Education Center). We completed the review on August 18, 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 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 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 the Higher Education Center. 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; 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)** - The Higher Education Center 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 Higher Education Center should develop, review, or improve policies and procedures to maintain an effective control environment. Topic 20905 and other sections of the Commonwealth Accounting Policies and Procedures (CAPP) Manual require each agency to "publish its own policies and procedures documents, approved in writing by agency management." 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 annually and maintain documentation of the process.
- **Repeat (First Reported in 2019)**– The Higher Education Center's ARMICS process covers most of the minimum requirements set by Accounts ARMICS standards and CAPP Manual Topic 10305; however, we identified some requirements the Higher Education Center did not meet. The Higher Education Center did not document and assess all key elements of the control

environment or the effectiveness of its monitoring activities. The Higher Education Center did not document and assess agency-level or transaction-level control activities applicable to all significant processes. Furthermore, the Higher Education Center did not document consideration of the risk of fraud at the agency-level or transaction-level. The Higher Education Center should document compliance with all minimum requirements of ARMICS.

- The Higher Education Center did not have proper separation of duties within information system security responsibilities. The Higher Education Center did not have a designated Chief Information Officer. Additionally, one individual is both the Information Security Officer and a system owner. The Commonwealth's Information Security Standard, SEC530 (Security Standard) requires proper segregation of duties between these roles and responsibilities. The Higher Education Center should delegate role assignments in a manner that provides adequate separation of duties, provides adequate protection against the possibility of fraud, and does not lead to a conflict of interests.
- The Higher Education Center did not obtain the System and Organization Controls (SOC) report for providers that process sensitive information or provide hosting services for a system. As such, the Higher Education Center did not document an evaluation of the SOC report and the complementary user entity controls described within the report. CAPP Manual Topic 10305 and the Security Standard require agencies to have an adequate level of interaction with third-party providers to give agencies an understanding of the providers' internal control environments and any complementary controls the agency would need to implement. Agencies must also maintain oversight of the provider to gain assurance over outsourced operations. The Higher Education Center should develop policies and procedures over review of SOC reports and obtain and comprehensively evaluate SOC reports timely.
- The Higher Education Center did not ensure that the Virginia Information Technologies Agency (VITA) conducted an information technology security audit over each of its sensitive systems at least once every three years. In April 2024, the Higher Education Center obtained an agreement with VITA to perform this service. However, VITA has not completed an information technology security audit to date. The Commonwealth's Information Technology (IT) Security Audit Standard, SEC502, requires that IT systems containing sensitive data, or with a sensitivity rating of high on any of the criteria of confidentiality, integrity, or availability, shall receive an IT security audit at least once every three years. Management should ensure VITA conducts IT audits over each of the sensitive systems at least once every three years and reviews the results to help ensure the protection of sensitive and mission critical data.
- The Higher Education Center did not log activity and monitor its systems within 30 days as required by the Security Standard. The Higher Education Center should ensure timely completion of audit logging and monitoring reviews.
- The Higher Education Center does not have a sufficient off-boarding checklist as it does not include documentation over system access removal. Additionally, for the two employees

reviewed, the Higher Education center removed access between two days and one month after termination. The Security Standard requires the removal of systems access within 24 hours of the employee's separation. The Higher Education Center should update the off-boarding checklist to include documentation of system access removal and remove system access within 24 hours of the employee's separation.

- The Higher Education Center could not provide documentation of a complete physical inventory over capital assets within the past two years as required by CAPP Manual Topic 30505. The Higher Education Center should perform a physical asset inventory count at least once every two years to ensure proper safeguarding of assets and ensure the accuracy of the Commonwealth's capital asset system data.
- The Higher Education Center did not track construction in progress (CIP) for ongoing construction costs in accordance with the CAPP Manual. The Higher Education Center should properly track and record all ongoing projects' CIP expenses in accordance with the CAPP Manual Topics 30205, 30310, 30325, and 31305.
- The Higher Education Center did not properly account for or track subscription-based information technology arrangements (SBITA) in accordance with Governmental Accounting Standards Board (GASB) Statement No. 96. The Higher Education Center does not have an established process for identification of SBITAs. CAPP Manual Topic 31300, which references GASB Statement No. 96, requires agencies to determine and record the necessary accounting information in the Commonwealth's lease accounting system based on the contract to ensure proper classification of long-term and short-term SBITAs, and to evaluate explicit, implicit, and incremental borrowing rates before defaulting to the prime rate for a reasonable and accurate interest rate. Management should develop SBITA policies and procedures that comply with GASB Statement No. 96 and properly record and classify SBITAs in accordance with this standard.
- The Higher Education Center did not perform an analysis of potential aggregated assets in accordance with GASB Implementation Guide 2021-1 Question 5.1, Accounts guidance email, and CAPP Manual Topic Section 30000. Management 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 Commonwealth's capital asset system.
- The Higher Education Center did not record capital asset additions within 30 days and in the proper fiscal year as required by CAPP Manual Topic 30205. For one capital asset addition reviewed, the Higher Education Center entered the asset 11 months after the reported acquisition date. Additionally, supporting documentation showed an acquisition date four months earlier than reported, indicating the Higher Education center acquired the asset in a prior fiscal year and reported the acquisition date inaccurately. Further, the Higher Education Center could not determine the personnel responsible for the capital asset. Management

should determine the personnel responsible for each capital asset and record capital assets timely and accurately.

We discussed these matters with management on August 18, 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

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December 17, 2025

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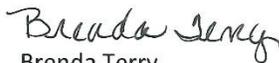
Dear Ms. Henshaw:

The Southern Virginia Higher Education Center (SVHEC) has reviewed the Internal Control Questionnaire Review Results letter received on 12/12/2025.

The agency appreciates APA's thorough review and recommendations for improvement. All recommendations will be carefully reviewed and appropriate measures taken to address the concerns noted.

Please let me know if you have any questions or need any additional information.

Sincerely,



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