



LIBRARY OF VIRGINIA

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF JULY 2022

Auditor of Public Accounts
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August 18, 2022

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INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Library of Virginia** (Library). We completed the review on July 14, 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 Library 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 Library. 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 Library's ARMICS program included a review of all current ARMICS documentation and a comparison to statewide guidelines established by Accounts. Further, we evaluated the Library'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, 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 (with significant progress)** - The Library continues to have areas to improve in its risk management and contingency planning documents to ensure the information correlates across the various documents. This will allow the Library to effectively evaluate and implement the necessary security controls in its information technology (IT) environment. While the Library made progress with its corrective actions since the prior audit, we identified three areas for the Library to continue improving in its risk management and contingency planning documentation and communicated them to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under § 2.2-3705.2 of the Code of Virginia. Due to staffing and fiscal constraints, the Library focused on the

corrective actions considered highest priority. Management should dedicate the necessary resources to improve its risk management and contingency planning documents as discussed in the separate document to comply with the Commonwealth's Information Security Standard, SEC 501 (Security Standard) and protect the confidentiality, integrity, and availability of the agency's sensitive information.

- **Partial Repeat (with limited progress)** - The Library continues to not conduct a comprehensive IT security audit on each sensitive system at least once every three years that assesses whether IT security controls implemented to mitigate risks are adequate and effective. Since the prior year, the Library conducted a security audit over five of its 18 sensitive systems, but the audit only addressed two out of a total of 145 control requirements from the Security Standard due to financial limitations. Additionally, the Library's IT Security Audit Plan does not include all systems classified as sensitive to ensure each sensitive system receives a security audit every three years. The Commonwealth's IT Security Audit Standard, SEC 502 (IT Audit Standard), Section 1.4, requires that IT systems that contain sensitive data, or reside in a system with a sensitivity of high on any of the criteria of confidentiality, integrity, or availability, shall be assessed at least once every three years or more frequently commensurate with risk. Additionally, Section 2.2 requires the IT Security Auditor shall use criteria that assess the effectiveness of the system controls and measures compliance with the applicable Commonwealth's IT Risk Management Policies and Standards. Management should continue dedicating the necessary resources to conduct comprehensive IT security audits over each IT system classified as sensitive at least once every three years that tests the effectiveness of the IT security controls and compliance with Security Standard requirements.
- The Library does not perform certain processes to maintain a secure IT environment due to limited resources. We communicated the control weakness to management in a separate document marked FOIAE under § 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. The Security Standard requires the Library to implement various security controls and processes to maintain its information security program and secure its IT environment. Without complying with the Security Standard, the Library increases the risk of compromising the confidentiality, integrity, and availability of its IT environment. Management should dedicate the necessary resources to implement the processes discussed in the separate communication in order to maintain a secure IT environment.

We discussed these matters with management on July 15, 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



LIBRARY OF VIRGINIA

Sandra Gioia Treadway
Librarian of Virginia

10/13/2022

Staci Henshaw
Auditor of Public Accounts
Virginia Auditor of Public Accounts

Ms. Henshaw

We have reviewed the Results Letter for the Library of Virginia (LVA) and agree with your finding. It addresses the known weakness that LVA has in IT/IS due to limited financial resources. We sincerely appreciate your acknowledgement of the progress the Library has accomplished in mitigating the risks to the Agency. We are grateful for your feedback from the ICQ review and it was a pleasure to work with your team!

Sincerely,

Wendy Hupp
Finance and Procurement Director
Library of Virginia

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