



DEPARTMENT OF HISTORIC RESOURCES

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF JULY 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
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November 19, 2025

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Julie Langan
Director, Department of Historic Resources

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Department of Historic Resources** (Historic Resources). We completed the review on July 29, 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 Historic Resources 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 Historic Resources. 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 not taken adequate corrective action with respect to review findings reported in the prior review.

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 Historic Resources. Further, we evaluated Historic Resources' 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 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 2022)** – Historic Resources did not perform a complete physical inventory over all inventoriable assets within the last two years. Historic Resources continued to use the last completed physical inventory from 2022 as a starting point for the current inventory instead of the current asset listing within Commonwealth's capital asset system for capital assets and the internal spreadsheet for controllable assets. Therefore, the physical inventory did not include all inventoriable assets. The physical inventory documentation does not have a reviewer signature and date to ensure the physical inventory process is complete and that Historic Resources properly updated asset records. Historic Resources did not investigate one asset that the inventory records noted was missing. Additionally, three out of four capital asset records reviewed included a terminated employee as the person responsible. Historic Resources should properly perform physical inventory over all inventoriable assets once every two years, investigate missing assets, update asset records as necessary, and document reviewer names and dates to ensure the accuracy and safeguarding of assets as required by Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 30505.

- **Repeat (First Reported in 2022)** – Historic Resources did not properly dispose of assets in the Commonwealth’s capital asset system in a timely manner per CAPP Manual Topic 30805. One out of four fully depreciated active assets reviewed was no longer at the agency or found in the last two physical inventory listings performed. Historic Resources should update asset records for disposals in the Commonwealth’s capital asset system timely and in the correct fiscal year as required by CAPP Manual Topic 30805.
- Historic Resources did not obtain the System and Organization Controls (SOC) report for providers that provide hosting services for a system. Additionally, Historic Resources did not document an evaluation of the SOC report and the complimentary user entity controls described within the report for providers that process sensitive information. CAPP Manual Topic 10305 and the Commonwealth’s Information Security Standard, SEC530 (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. Historic Resources should develop policies and procedures over review of SOC reports, obtain and comprehensively evaluate SOC reports timely, and retain adequate documentation of the review.
- Historic Resources does not complete or submit risk assessments and contingency planning over its information systems every three years as required by the Security Standard. Historic Resources should ensure their risk management and contingency planning over the agency’s information systems is adequate and performed within the timeframes required by the Security Standard.
- Historic Resources did not log and monitor system audit reports for one information system as required by the Security Standard. Historic Resources should document and implement the appropriate logging and monitoring controls for its business environment to reduce the risk to confidentiality, integrity, and availability.
- Historic Resources does not have proper controls in place for reconciling Small Purchase Charge Card (SPCC) activity. Historic Resources was unable to provide any reconciliation, card statement, or evidence of review and approval for three out of three (100%) selections. As a result, we were not able to verify that the purchases are reasonable for the agency’s operations. Management should improve its controls over reconciling SPCC data to ensure timely and accurate completion of reconciliations in accordance with CAPP Manual Topic 20355.
- Historic Resources did not properly perform financial system reconciliations. Historic Resources was unable to provide the reconciliation and supporting documentation for one month selected during fiscal year 2024. For the second month reviewed, Historic Resources did not have evidence of a preparer or reviewer for all reconciled levels and did not perform

the reconciliation timely. As a result, Historic Resources did not reconcile all levels prior to certifying to Accounts. Historic Resources should perform and properly retain reconciliations in accordance with CAPP Manual Topic 20905 prior to certifying to Accounts.

- Historic Resources does not have evidence to show that it is properly reconciling the Commonwealth’s human resources system and the retirement benefits system prior to confirming the accuracy of retirement benefits data. Specifically, management does not have documentation to show their review of the Centralized State Systems – Cancelled Records Report and the Billing Exceptions and Summary Report, or to show evidence of a reconciliation of data elements or creditable compensation. CAPP Manual Topic 50470 details the requirements for reconciling retirement data before the agency confirms the data. Historic Resources should reconcile retirement data in accordance with the requirements in the CAPP Manual before confirming the accuracy of the data each month.
- Historic Resources is not tracking construction in progress (CIP) for ongoing construction costs in accordance with the CAPP Manual. Historic Resources should properly track and record all ongoing projects’ CIP expenses in accordance with the CAPP Manual Topics 30205, 30310, 30325, and 31305.
- Historic Resources did not properly account for subscription-based information technology arrangements (SBITAs) in accordance with Governmental Accounting Standards Board (GASB) Statement No. 96. Historic Resources 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 procedures that comply with GASB Statement No. 96 and properly record and classify SBITAs in accordance with this standard.
- Historic Resources did not perform an analysis of potential aggregated assets in accordance with GASB Implementation Guide 2021-1 Question 5.1, Department of 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.
- Historic Resources has formal, documented policies and procedures over many of its significant business processes. However, during our review, we identified several critical business areas where Historic Resources should develop, review, or improve policies and procedures to maintain an effective control environment. Topic 20905 and other sections of the CAPP Manual require each agency to “publish its own policies and procedures documents, approved in writing by agency management.” Management should continue to 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 retain documentation of the process.

- Historic Resources did not ensure individuals in positions of trust filed statement of economic interests (SOEI) forms. Three individuals, whom the agency identified as in a position of trust, did not submit the SOEI form upon hiring. Per § 2.2-3114 of the Code of Virginia, persons occupying positions of trust within state government or non-salaried citizen members of policy and supervisory boards shall file a disclosure statement with the Commonwealth's Ethics Advisory Council as a condition to assuming office or employment, and thereafter, shall file such a statement annually on or before February 3. Per § 2.2-3118.2 of the Code of Virginia, an officer or employee required to file a disclosure as a condition to assuming office or employment shall file such disclosure on or before the day such office or position of employment is assumed. Management should ensure that all individuals identified in positions of trust file the appropriate disclosures upon hire or promotion, and subsequently at each annual filing.
- Historic Resources did not remove system access within 24 hours after termination for one employee tested, as required by the Security Standard. Historic Resources should ensure timely access removal in accordance with the agency's information technology off-boarding policy and the Security Standard.
- Historic Resources did not ensure all employees completed the security awareness training within the required timeframe as two active employees did not complete the training. Historic Resources should ensure all active employees complete the security awareness trainings upon hire and, annually thereafter, as required by the agency's security awareness training policy and the Security Standard.

We discussed these matters with management on August 7, 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/vks



COMMONWEALTH of VIRGINIA

Department of Historic Resources

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Stefanie K. Taillon
Secretary of Natural and
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January 5, 2026

TO: Staci Henshaw
Auditor of Public Accounts

Dear Ms. Henshaw,

Thank you for the opportunity to comment on the Auditor of Public Accounts Results Letter dated November 19, 2025. We appreciate the thoroughness of the Internal Control Questionnaire (ICQ) process, which has been comprehensive and constructive.

We would like to provide context regarding the staffing changes during FY24, the main focus of the review. This period experienced significant turnover in our Finance, Procurement, and Human Resources departments. Notably, only one part-time wage position within these departments remained with the agency throughout FY24 and into FY25. The HR Manager began her tenure during FY24, while all other Finance and Procurement staff joined in FY25. These transitions have presented challenges highlighted by some of APA's findings. However, our new staff and leadership are fully committed to adhering to established state policies and procedures.

In response to the findings outlined in the letter, we have reviewed each point and provided comments in blue which begin on the next page. We do want to highlight that progress has already been made in several areas identified for improvement. For those areas requiring further attention, we are committed to resolving all issues in a timely manner.

Should you require any additional information or clarification, please do not hesitate to contact DHR.

Signed by:
Julie Langan
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1/5/2026

Julie V. Langan, SHPO and Director
Virginia Department of Historic Resources

Date

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- **Repeat (First Reported in 2022)** – Historic Resources did not perform a complete physical inventory over all inventoriable assets within the last two years. Historic Resources continued to use the last completed physical inventory from 2022 as a starting point for the current inventory instead of the current asset listings within Commonwealth’s capital asset system for capital assets and the internal spreadsheet for controllable assets. Therefore, the physical inventory did not include all inventoriable assets. The physical inventory documentation does not have a reviewer signature and date to ensure the physical inventory process is complete, and that Historic Resources properly updated asset records. Historic Resources did not investigate one asset that the inventory records noted was missing. Additionally, three out of four capital asset records reviewed included a terminated employee as the person responsible. Historic Resources should properly perform physical inventory over all inventoriable assets once every two years, investigate missing assets, update asset records as necessary, and document reviewer names and dates to ensure the accuracy and safeguarding of assets as required by Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 30505.

DHR conducted a comprehensive inventory of all capital assets as of December 1, 2025. The results of this inventory have been fully reconciled and entered into the Commonwealth Fixed Asset Accounting System (FAACS). The FAACS records have been updated to reflect December 1, 2025, inventory date, thereby ensuring accurate reporting and accountability for all capital assets moving forward. The agency has also updated policies to align them with current state requirements, and we have new internal monitoring procedures to solve fixed asset reporting on an ongoing basis.

- **Repeat (First Reported in 2022)** – Historic Resources did not properly dispose of assets in the Commonwealth’s capital asset system in a timely manner per CAPP Manual Topic 30805. One out of four fully depreciated active assets reviewed was no longer at the agency or found in the last two physical inventory listings performed. Historic Resources should update asset records for disposals in the Commonwealth’s capital asset system timely and in the correct fiscal year as required by CAPP Manual Topic 30805.

DHR has removed the asset in question from FAACS. A new FAACS policy and new internal procedures have been created to avoid this issue in the future.

- Historic Resources did not obtain the System and Organization Controls (SOC) report for providers that provide hosting services for a system. Additionally, Historic Resources did not document an evaluation of the SOC report and the complimentary user entity controls described within the report for providers that process sensitive information. CAPP Manual Topic 10305 and the Commonwealth’s Information Security Standard, SEC530 (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. Historic Resources

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should develop policies and procedures over review of SOC reports, obtain and comprehensively evaluate SOC reports timely, and retain adequate documentation of the review.

The SOC reports have now been obtained and reviewed.

- Historic Resources does not complete or submit risk assessments and contingency planning over its information systems every three years as required by the Security Standard. Historic Resources should ensure their risk management and contingency planning over the agency's information systems is adequate and performed within the timeframes required by the Security Standard.

DHR is actively working to become compliant in these areas.

- Historic Resources did not log and monitor system audit reports for one information system as required by the Security Standard. Historic Resources should document and implement the appropriate logging and monitoring controls for its business environment to reduce the risk to confidentiality, integrity, and availability.

DHR is actively working to become compliant in these areas.

- Historic Resources does not have proper controls in place for reconciling Small Purchase Charge Card (SPCC) activity. Historic Resources was unable to provide any reconciliation, card statement, or evidence of review and approval for three out of three (100%) selections. As a result, we were not able to verify that the purchases are reasonable for the agency's operations. Management should improve its controls over reconciling SPCC data to ensure timely and accurate completion of reconciliations in accordance with CAPP Manual Topic 20355.

SPCC logs and reconciliations have been re-implemented as of April 2025. DHR staff had received previous communication from DOA-CCA that logs were no longer necessary with the implementation of OLR/Works. Once we received updated guidance on this requirement, the logs were once again reinstated. Emails from DOA were sent as supporting documentation regarding this finding.

- Historic Resources did not properly perform financial system reconciliations. Historic Resources was unable to provide the reconciliation and supporting documentation for one month selected during fiscal year 2024. For the second month reviewed, Historic Resources did not have evidence of a preparer or reviewer for all reconciled levels and did not perform the reconciliation timely. As a result, Historic Resources did not reconcile all levels prior to

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certifying to Accounts. Historic Resources should perform and properly retain reconciliations in accordance with CAPP Manual Topic 20905 prior to certifying to Accounts.

A more rigorous reconciliation process is now in place and approvals are completed before certifications are made to DOA. A retroactive reconciliation was performed, and no issues were discovered.

- Historic Resources does not have evidence to show that it is properly reconciling the Commonwealth’s human resources system and the retirement benefits system prior to confirming the accuracy of retirement benefits data. Specifically, management does not have documentation to show their review of the Centralized State Systems – Cancelled Records Report and the Billing Exceptions and Summary Report, or to show evidence of a reconciliation of data elements or creditable compensation. CAPP Manual Topic 50470 details the requirements for reconciling retirement data before the agency confirms the data. Historic Resources should reconcile retirement data in accordance with the requirements in the CAPP Manual before confirming the accuracy of the data each month.

DHR acknowledges the lack of supporting documentation and will work to address this going forward. DHR has asked the State for training opportunities for this requirement and were told none were available.

- Historic Resources is not tracking construction in progress (CIP) for ongoing construction costs in accordance with the CAPP Manual. Historic Resources should properly track and record all ongoing projects’ CIP expenses in accordance with the CAPP Manual Topics 30205, 30310, 30325, and 31305.

DHR will ensure that this is tracked accordingly going forward. The CIP tracking worksheet has been updated to reflect payments for FY 2025. This reconciles with the FY 2025 year-end balance.

- Historic Resources did not properly account for subscription-based information technology arrangements (SBITAs) in accordance with Governmental Accounting Standards Board (GASB) Statement No. 96. Historic Resources 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 procedures that comply with GASB Statement No. 96 and properly record and classify SBITAs in accordance with this standard.

DHR is not aware of any SBITAs that are still captured incorrectly.

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- Historic Resources did not perform an analysis of potential aggregated assets in accordance with GASB Implementation Guide 2021-1 Question 5.1, Department of 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.

Previously unreported aggregated assets were included in FAACS prior to the close of FY25.

- Historic Resources has formal, documented policies and procedures over many of its significant business processes. However, during our review, we identified several critical business areas where Historic Resources should develop, review, or improve policies and procedures to maintain an effective control environment. Topic 20905 and other sections of the CAPP Manual require each agency to “publish its own policies and procedures documents, approved in writing by agency management.” Management should continue to 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 retain documentation of the process.

DHR will develop, review, and improve policies and procedures in a timely manner.

- Historic Resources did not ensure individuals in positions of trust filed statement of economic interests (SOEI) forms. Three individuals whom the agency identified as in a position of trust did not submit the SOEI form upon hiring. Per § 2.2-3114 of the Code of Virginia, persons occupying positions of trust within state government or non-salaried citizen members of policy and supervisory boards shall file a disclosure statement with the Commonwealth’s Ethics Advisory Council as a condition to assuming office or employment, and thereafter, shall file such a statement annually on or before February 3. Per § 2.2-3118.2 of the Code of Virginia, an officer or employee required to file a disclosure as a condition to assuming office or employment shall file such disclosure on or before the day such office or position of employment is assumed. Management should ensure that all individuals identified in positions of trust file the appropriate disclosures upon hire or promotion, and subsequently at each annual filing.

DHR is actively working to become compliant in these areas.

- Historic Resources did not remove system access within 24 hours after termination for one employee tested, as required by the Security Standard. Historic Resources should ensure timely access removal in accordance with the agency’s information technology off-boarding policy and the Security Standard.

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IT deactivated the account immediately after being notified of the employee's termination. Senior management will remind all Managers and Supervisors of DHR's and the Commonwealth's offboarding policies regarding employee termination.

- Historic Resources did not ensure all employees completed the security awareness training within the required timeframe as two active employees did not complete the training. Historic Resources should ensure all active employees complete the security awareness trainings upon hire and, annually thereafter, as required by the agency's security awareness training policy and the Security Standard.

Both employees have left state service as of 6.30.25. Senior management will remind all Managers and Supervisors of DHR's and the Commonwealth's mandate regarding security awareness training.

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