



# GUNSTON HALL

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF JANUARY 2024

Auditor of Public Accounts  
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# Commonwealth of Virginia

## Auditor of Public Accounts

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March 25, 2024

Scott Stroh, Director  
Gunston Hall  
10709 Gunston Road  
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### INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for **Gunston Hall**. We completed the review on January 17, 2024. 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 Gunston Hall 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 Gunston Hall. 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 the 2020 internal control questionnaire review findings as well as the findings in the report titled "[Cycled Agency Capital Assets Review for the year ended June 30, 2020](#)." The agency has taken adequate corrective action with respect to findings reported in the prior review and audit 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. Our review of Gunston Hall's ARMICS program included a review of all current ARMICS documentation and a comparison to statewide guidelines established by Accounts. Further, we evaluated Gunston Hall'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:

- **Repeat** – Gunston Hall does not have evidence to show that it is properly reconciling the Commonwealth's human resources system and 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 Reports, or to show evidence of a reconciliation of data elements or creditable compensation. Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 50470 details the requirements for reconciling retirement data before the agency confirms the data. Gunston Hall should reconcile retirement data in accordance with requirements in the CAPP Manual before confirming the accuracy of the data each month.
- **Repeat** – Gunston Hall is not paying all vendors in a timely manner. We analyzed fiscal year 2023 payments and noted that Gunston Hall did not pay 18 percent of vendor payments within 30 days. As outlined in § 2.2-4350 of the Code of Virginia, every state agency that

acquires goods or services or conducts any other type of contractual business with nongovernmental, privately-owned enterprises shall promptly pay for the delivered goods and services within 30 days of the receipt of a proper invoice or receipt of the goods and services, whichever is later. Gunston Hall should pay vendors in a timely manner to ensure compliance with the Code of Virginia.

- **Repeat** – Gunston Hall does not perform a quarterly reconciliation of its construction in progress (CIP) spreadsheet to the Commonwealth’s capital asset system to ensure accuracy and completeness. CAPP Manual Topic 30905 requires agencies to reconcile CIP quarterly. By not reconciling CIP, Gunston Hall increases the risk of misstatement of capital asset balances. Gunston Hall should properly perform a quarterly CIP reconciliation to ensure it records and reports construction expenses accurately.
- **Repeat** – Gunston Hall has not revised its emergency response plan since 2015. The Commonwealth’s Information Security Standard, SEC 501 (Security Standard) requires agencies to periodically review and revise the emergency plans to reflect changes in mission, essential functions, services, information technology systems hardware, software, and personnel. In addition, the Security Standard requires an annual exercise of the plan components to assess their adequacy and effectiveness. Gunston Hall should review and revise the emergency response plan and perform annual testing of the plan components.
- **Repeat** – Gunston Hall did not maintain documentation showing they performed a systems user access review. The Security Standard requires organizations to review on an annual basis the privileges assigned to all users to validate the need for such privileges. Gunston Hall should perform and document a review of systems user access at least annually to mitigate the risk of any unauthorized users inappropriately gaining access to their systems.
- **Repeat** – Gunston Hall has formal, documented policies and procedures over many of its significant business processes. However, during our review, we identified several business areas where Gunston Hall should develop or expand policies and procedures to maintain an effective control environment. CAPP Manual 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 ensure detailed policies and procedures exist for all critical business areas. Management should ensure that these detailed policies and procedures are readily available to all staff. 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** - Gunston Hall does not meet the minimum requirements of the Accounts’ ARMICS standards. While management has identified some of its significant business processes, they

did not identify, assess, and test agency-level or transaction-level control activities applicable to all significant business processes and information systems. Furthermore, there was no documentation and assessment over information communication and monitoring internal controls at the agency-level. Gunston Hall should ensure ARMICS documentation meets the minimum requirements issued by Accounts.

- **Repeat** – Gunston Hall does not ensure that employees who file Statements of Economic Interest forms take the required training every two years. We noted one employee did not complete the required training within the two-year timeframe. Section 2.2-3130 of the Code of Virginia requires state filers to complete an orientation ethics course every two calendar years. Gunston Hall should ensure that the employees who file the Statement of Economic Interest forms complete the training semi-annually as required.
- Gunston Hall did not obtain the System and Organization Controls (SOC) report for a provider that processes credit card transactions and as such did not document an evaluation of the SOC report and the complimentary 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 must implement. Agencies must maintain provider oversight to gain assurance over outsourced operations. Gunston Hall should develop policies and procedures for SOC reports and obtain and evaluate SOC reports timely.
- Gunston Hall has a Memorandum of Understanding (MOU) with Accounts to assist in recording leases in the lease accounting system. As part of the MOU, Gunston Hall is responsible for providing lease related information such as identifying potential leases, copies of contracts, copies of purchase orders, lease interest rates, and potential lease asset grouping to Accounts for recording into the system. Gunston Hall does not have a process to properly evaluate all contracts to identify all potential leases in accordance with the MOU with Accounts. Gunston Hall is also not reviewing the lease accounting system to verify Accounts has accurately input the lease information. Gunston Hall should periodically review the lease accounting system for accuracy and develop and implement a process to accurately identify leases and provide all relevant lease information to Accounts to properly record and classify leases in the lease accounting system.
- Gunston Hall could not provide evidence of a complete physical inventory of its capital assets within the required timeframe. CAPP Manual Topic 30505 requires agencies to perform a physical inventory of capital assets at least once every two years to properly safeguard assets and maintain fiscal accountability. Gunston Hall should conduct a full physical inventory count timely and document it in compliance with the CAPP Manual.

- Gunston Hall could not provide any evidence that it timely and accurately reconciled its financial information to the Commonwealth’s accounting and financial reporting system. Additionally, Gunston Hall did not maintain adequate supporting documentation showing evidence of a supervisory review which ensures the reconciliations are accurate. Gunston Hall should perform and document financial system reconciliations and document supervisory reviews of the reconciliations.
- Gunston Hall did not maintain consistent documentation to show that it reviewed and reconciled payroll amounts before certifying the accuracy of payroll. Specifically, the payroll reports contained no sign off or dates indicating review of the reports. CAPP Manual Topic 50905 outlines which reports agencies must review before and after certifying the payroll. Gunston hall should update its procedures to include review of all required payroll reports and ensure there is evidence of review and approval of payroll amounts prior to certifying payroll.
- Gunston Hall does not have adequate internal controls over reporting financial information to Accounts to ensure information is timely and complete. Gunston Hall submitted ten out of 12 required attachments from one to 15 days late. In addition, Gunston Hall did not submit one required attachment. Gunston Hall should create policies and procedures for the preparation and submission of attachments and submit required attachments to Accounts timely.

We discussed these matters with management on February 7, 2024. 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/vks





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Staci Henshaw  
Auditor of Public Accounts for the Commonwealth of Virginia

Date: April 1, 2024

Subject: Gunston Hall response to 2022 GH 417 ICQ

Thank you for the opportunity to respond to the draft of the Audit Summary report for Gunston hall 2022 Internal Control Questionnaire for fiscal year ending June 30, 2022.

Gunston Hall responses follow the audit response presented in the Internal Control Questionnaire:

1. Policies and Procedures - We are presently updating the policies and procedures to include Financial System Reconciliation, DOA Attachments, ARMICS, Payroll Processes, Benefits Reconciliation, Small Purchase Charge Card Process, Capital Asset Management, Leases, CIP, Physical Capital Asset Inventory, system access removal, and Security Awareness Training. Additionally, we are implementing protocols to ensure all policies are readily available to staff and that they are reviewed on annual or as needed basis.
2. Agency Risk Management and Internal Control Standards (ARMICS)- Gunston Hall has not yet met all the requirements of the Department of Accounts due, in large part, to circumstances associated with staff transitions and staffing levels. Now fully staffed, the Director of Finance and Administration has already implemented internal control processes that were submitted for your review for the questionnaire. Prior to being fully staffed, the testing of controls was difficult because the Director of Finance and Administration could not test the controls for the tasks she completed. This testing is now being planned and is underway. We are also meeting with a representative from FORVIS to discuss the Department of Accounts ARMIC procedures and standards for the Commonwealth.
3. Third-Party Provider Service Organization Controls (SOC) Review - Gunston Hall will develop policies and procedures for SOC reports and obtain and evaluate SOC reports timely per CCAPP Manual Topic 10305 and the Commonwealth's Information Security Standard, SEC 501 (Security Standard).

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GUNSTON HALL is an educational agency of the Commonwealth of Virginia governed by  
THE Board of Regents of Gunston Hall ☎ The National Society of THE *Colonial Dames of America*.



4. Statement of Economic Interest Training - Gunston Hall will create policy and procedures to confirm required training is performed by the staff members who file statement of Economic interest according to section 2.2-3130 of the Code of Virginia. Please note, however, that the employee requires to complete this training has and routinely does so.
5. Payroll and Human Resources - Currently, Gunston Hall's Executive Director reviews the report and submits it monthly; however, there is no formal documentation that shows it is reconciled and reviewed. Gunston Hall will implement a policy and procedures according to the requirements in the CAPP Manual addressing this question. Gunston Hall also reconciles payroll by reviewing and reconciling the certification documents to an internal spreadsheet before the certification is signed and submitted to Payroll Bureau Services. Moving forward, Gunston Hall will reference topic 50905 of the CAPP Manual and implement procedures as outlined.
6. Revenue / Expenditures - Upon review with the Department of Accounts, we better understand submission requirements related to dates for when vouchers are entered and approved. Gunston Hall also plans to have more than one Cardinal approver to ensure payments are timely.
7. Capital Assets and Leases – Currently, Gunston Hall has two leasing agreement, with Xerox and Pitney Bowes. Gunston Hall will periodically review the lease accounting system for accuracy and develop and implement a process to accurately identify leases. Gunston Hall will also provide all relevant lease information to DOA to properly record and classify leases in the lease accounting system. Additionally, per the CAPP Manual Topic 30505 we will perform a physical inventory of capital assets at least once every two years to properly safeguard assets and maintain fiscal accountability to ensure compliance. Finally, Gunston Hall will perform a quarterly reconciliation of its construction in progress (CIP) spreadsheet to the Commonwealth's capital asset system to ensure accuracy and completeness even if there are no expenses per project.
8. Financial System Reconciliations – Currently Gunston Hall is documenting the reconciliation for financial information to the Commonwealth's accounting and financial reporting system on a timely basis. Going forward, Gunston Hall will perform and document financial system reconciliations, and document supervisory review of the reconciliations.

9. Reporting Required Financial Information- Being new to her role, the Director of Finance and Administration acknowledges some challenges associated with completing the attachments in FY2022. Going forward, Gunston Hall plans to create policies and procedures for the preparation and submission of attachments and will submit the required attachments to Accounts on a timely basis. This work will include creating redundancies to ensure that staffing transitions don't negatively impact the preparation and submittal of these reports.
10. Information System Security – Gunston Hall will review and revise the plan and perform annual testing of the Plan components. Currently Gunston Hall reviews and updates the user privileges; however, there is no documentation that shows the date reviewed. Gunston Hall will perform and document a review of system user access at least annually to mitigate the risk of any unauthorized users inappropriately gaining access to our system. We submitted the security access form, and it shows signature approval for this questionnaire review. Gunston Hall will create procedures to include review of all the security access form to document approval of all network and applications access.

We appreciate and value the recommendations that are presented in the report to help our Agency to improve internal processes and controls.

Sincerely,

Scott Stroh III  
Executive Director

