



# NEW COLLEGE INSTITUTE

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF JUNE 2021

Auditor of Public Accounts  
Staci A. Henshaw, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

(804) 225-3350



## - TABLE OF CONTENTS -

	<u>Pages</u>
REVIEW LETTER	1-4
AGENCY RESPONSE	5



Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

January 24, 2022

Karen Jackson, Interim Executive Director  
New College Institute  
191 Fayette Street  
Martinsville, VA 24112

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **New College Institute** (Institute). We completed the majority of the review on June 15, 2021; however, the information system security portion of the review was not completed until November 16, 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 Institute 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 Institute. 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 year 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 Institute's ARMICS program included a review of all current ARMICS documentation and a comparison to statewide guidelines established by Accounts. Further, we evaluated the agency'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 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** - The Institute has not formalized a structured approach to implement security controls. The Institute informally adopted the International Organization for Standardization and the International Electrotechnical Commission Standard, ISO/IEC 27002 (ISO Standard) to ensure proper information security controls. However, the Institute has not formally adopted the ISO Standard as its information security standard. Additionally, the Institute developed a manual that includes an information technology section but does not have detailed policies and procedures to support their information security program. The Institute should formally adopt the ISO Standard, then complete and approve information security policies and procedures and ensure they align with the control requirements in the ISO Standard. The Institute should also implement a process to ensure the policies and procedures remain current. Having policies and procedures that align with a current security

standard will help to protect the confidentiality, integrity, and availability of mission-critical and sensitive data.

- **Repeat** -The Institute is not meeting certain requirements in the ISO Standard for security awareness training. Specifically, the Institute does not monitor completion of security awareness training for all employees and enforce compliance. As a result, none of the five users with email-only accounts completed security awareness training in 2021. Additionally, only 11 out of 22 users with Active Directory accounts completed security awareness training in 2021. The Institute should establish, document, and implement policies and procedures to monitor and enforce completion of annual security awareness training.
- **Partial Repeat** - The Institute is not meeting certain requirements in the ISO Standard for access control and account management, although the Institute made progress to address the issues identified in the prior year. Specifically, the Institute removed access to the Commonwealth's procurement portal for all terminated employees. However, the Institute has not established and documented access control and account management policies and procedures. Further, the Institute does not have a formal process to conduct an annual review of accounts. The Institute also did not terminate credentials for one employee upon termination of employment. The Institute includes an Information Technology section in the "NCI Accounting and Operating Procedures" manual but does not detail its access control and account management requirements and processes in formal policies and procedures. The Institute should define, document, and communicate to employees access control and account management policies and procedures. The Institute should then implement the controls into the information security program as required by the policies and procedures, including conducting a periodic review of accounts and removing access rights when an employee terminates employment.
- **Partial Repeat** - The Institute has formal, documented policies and procedures over most of its critical business processes. However, we noted some areas where there were no procedures or where the existing procedures were not sufficiently detailed. Topic 20905 and other sections of the Commonwealth Accounting Policies and Procedures (CAPP) Manual state that each agency needs to "publish its own policies and procedures documents, approved in writing by agency management." Management should establish and periodically review detailed policies and procedures for all critical business processes in order to maintain an effective control environment and ensure continuity of operations if key personnel are unavailable.
- The Institute needs to improve its processes and documentation related to reconciling retirement data, specifically:
  - The Institute is not retaining enough documentation to support it is performing the review of the Commonwealth's human resource system Cancelled Records

Report in accordance with the Payroll Service Bureau (PSB) Scope of Services document.

- The Institute did not complete the monthly retirement system reconciliation in a timely manner for five out of 12 months during the fiscal year.
- The Institute is clearing exceptions related to the Commonwealth's retirement system; however, these have not been removed from the Commonwealth's retirement system report.

The Institute should retain documentation of reconciliations and complete the reconciliations in a timely manner, in accordance with PSB Scope of Services document and CAPP Topic 50410. Further, the Institute should work with the Virginia Retirement System to ensure exceptions are cleared from the Commonwealth's retirement system report.

We discussed these matters with management on August 16, 2021, and January 10, 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/vks



February 10, 2022

Staci A. Henshaw, CPA  
Auditor of Public Accounts  
PO Box 1295  
Richmond, Virginia 23218

Dear Ms. Henshaw,

NCI is in receipt of the Review Results provided by the Auditor of Public Accounts related to the Internal Control Questionnaire completed on June 15, 2021 and finalized on November 16, 2021. The Results letter indicates the need for improvement in the following areas:

- Information security controls and the adopted standard to be utilized (ISO)
- Information security policies and procedures for annual security awareness training
- Improvement of policies and procedures for employee access control and periodic review for information technology
- Improvement of internal policies and procedures detail regarding CAPP Topic 20905
  - Specifically, HR cancelled reports in relation to PSB Scope of Services
  - VRS reconciliation timeliness and exceptions with complete reconciliations

NCI has proactively initiated measures to address the issues including, but not limited to the addition of a full-time Chief Information Officer in August 2021 and continued revisions and updates to NCI's policies and procedures manuals.

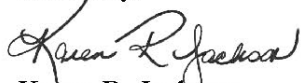
Individuals to receive the final report are as follows:

Karen R. Jackson, Interim Executive Director  
Christina Reed, Assistant Director of Finance  
& Operations  
Dr. Ken Russell, Chief Information Officer

[kjackson@newcollegeinstitute.org](mailto:kjackson@newcollegeinstitute.org)  
[creed@newcollegeinstitute.org](mailto:creed@newcollegeinstitute.org)

[krussell@newcollegeinstitute.org](mailto:krussell@newcollegeinstitute.org)

Sincerely,



Karen R. Jackson  
Interim Executive Director

**Opportunity. Growth. Success.**