



GUNSTON HALL

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF MAY 2017

Auditor of Public Accounts
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P.O. Box 1295
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September 1, 2017

Scott Stroh, Director
Gunston Hall
10709 Gunston Road
Mason Neck, Virginia 22079

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire, completed on May 19, 2017, for **Gunston Hall**. 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.

The Auditor of Public Accounts has developed a new process for auditing agencies that are not required to have an audit every year, which we refer to as "cycled agencies." Traditionally, we audit these agencies at least once every three years. We now employ a risk-based approach to auditing the cycled agencies. Under this approach, annually we will perform a risk analysis for all of the cycled agencies considering certain criteria and divide the agencies into two pools. One pool will receive an annual audit and the other pool will be subject to review in a special project focused on one area of significance as well as a review of internal controls in the form of a questionnaire. All agencies will undergo an Internal Control Questionnaire review at least once every three years. This letter is to communicate the results of the Internal Control Questionnaire review.

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; 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

Due to the implementation of the new statewide accounting system, we reviewed system access and a selection of system and transaction reconciliations in order to gain assurance that the statewide accounting system contains accurate data.

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: fixed assets, small purchase charge cards, agency relationship with the Department of Human Resource Management, and monitoring wage employee hours. 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:

- Gunston Hall does not have documented policies and procedures for all critical processes including reconciling with the statewide accounting system, monitoring wage employee hours, and granting and monitoring information system access. Management should create formal policies and procedures for all critical processes and ensure there is sufficient detail to allow someone new to the agency to follow the processes.
- As noted in the prior year audit, Gunston Hall is not updating the statewide fixed asset system for items that are no longer in its possession. Gunston Hall completed an inventory in November 2015, which concluded that two assets should no longer be included as capital assets; however, both assets are still actively listed in the fixed asset system. Per the Commonwealth Accounting Policies and Procedures Manual topic 30805, assets should be disposed or surplus in the same fiscal year in which the change in asset status occurred.

Gunston Hall should ensure the fixed asset system is updated on a timely basis for all acquisitions and disposals. Additionally, we noted that the same individual is responsible for performing the physical inventory and updating inventory records in the fixed asset system. Gunston Hall should use different individuals to perform these functions to ensure an adequate segregation of duties. Without proper segregation of duties, there is a higher risk of theft and fraud.

- Gunston Hall currently has no method of providing information security awareness training to its employees. Management should continue working with Virginia Information Technologies Agency to provide security awareness training at least annually as required by the Commonwealth Security Standard. Additionally, Gunston Hall should have documented policies and procedures for tracking who has completed the security awareness training and consequences, such as loss of system access, for not completing the training within a designated timeframe.

We discussed these matters with management on July 5, 2017. 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,

Auditor of Public Accounts

JDE/clj



HOME OF *American Rights*

September 15, 2017

Martha Mavredes, CPA
Auditor of Public Accounts, Commonwealth of Virginia
101 North 14th Street, 8th Floor
Richmond, VA 23219

Dear Ms. Mavredes:

On behalf of Gunston Hall, please accept our thanks and appreciation for the professional audit of our public funds provided by members of your team this past spring and summer. The entirety of the process was not only professional, but also collaborative, informative, and helpful. As an organization committed to transparency, integrity, and continual improvement, we very much appreciate the opportunity to benefit from the expertise and insight provided by your team and your office.

In response to the Internal Control Questionnaire Review Results letter dated September 1, 2017, we are pleased to provide the following response:

1. **Policies and Procedures:** The letter stated that Gunston Hall does not have documented policies and procedures for all critical processes including reconciling with the statewide accounting system, monitoring wage employee hours, and granting and monitoring information system access. While we are confident in the processes currently in place and actively implemented specific to these critical processes, we recognize the importance of documenting these processes in writing and appreciate the recommendation to do so. Accordingly, we have written the recommended policies and they will be reviewed by our governing body at their next meeting.
2. **Fixed Assets:** The letter stated Gunston Hall is not updating the statewide fixed asset system for items no longer in its possession. The letter also stated that the same individual is responsible for performing the physical inventory and updating inventory records in the fixed asset system. Regarding updating the system, during the months of September and October 2017 an inventory of fixed assets will be performed. Adjustments to the FAACS system will be made following that inventory. Full inventories will be performed every two years in the months of September and October, with spot checks occurring throughout the year. Purchases and disposals will be made in the FAACS system within two months of the event. Additionally, a policy has been written documenting these processes and it will be reviewed by our governing body at their next meeting.

Regarding physical inventory and updating the system, there are four full-time Commonwealth Employees at Gunston Hall including the Agency Head, Administrative Specialist, Director of Marketing and Public Relations, and Grounds Supervisor. The part-time Administrative Assistant is a private position. As a result, while we recognize the importance of a segregation of duties, it is not always easy or possible to achieve this segregation given the small staff size at the agency. That being said,

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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*.

Gunston Hall is presently considering all available options and opportunities to achieve the recommended segregation of duties and is committed to doing so.

3. Information Security Awareness Training: The letter stated that Gunston Hall has no method of providing information security awareness training to its employees and no documented policies and procedures for tracking who has completed the training. As recommended in the letter we are continuing to work with VITA to provide this training for all employees. It is also important to note that Gunston Hall does not presently have an agency network and all computer work stations are stand-alone systems. Equally important, Gunston Hall suffers from insufficient and deficient IT infrastructure, an unfortunate reality which compounds challenges associated with providing this training.


Given the small staff at Gunston Hall, it is also important to note that our Education Manager (private employee) is required to serve as the ISO and her work in this capacity, including work in support of providing the security awareness training, detracts significantly from her ability to perform the primary functions of her position. While we understand the important need for this training, fulfilling this responsibility is difficult and even more difficult to reconcile with the fulfillment of our core agency, mission-based educational objectives.

Additionally, wage employees, until September 2017, have not had Commonwealth email addresses or access credentials. Wage employees at Gunston Hall also do not have dedicated computers or dedicated access to shared computer systems. Accordingly, given VITA requirements, it was not possible for these employees to participate in the trainings.

Finally, with this information as important context, Gunston Hall does recognize the importance of these trainings and information security generally. Accordingly, we have written the recommended policies and they will be reviewed by our governing body at their next meeting.

In conclusion, please again accept our thanks and appreciation for a professionally conducted audit and for the insights gained through this process. As noted, Gunston Hall has already implemented nearly all of the recommended actions and is committed to achieving the fulfillment of the remaining recommendations very soon.

Sincerely,


Scott Muir Stroh, III
Executive Director