



# VIRGINIA HEALTH WORKFORCE DEVELOPMENT AUTHORITY

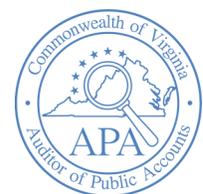
## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF AUGUST 2025

Auditor of Public Accounts

Staci A. Henshaw, CPA

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

(804) 225-3350



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# Commonwealth of Virginia

*Auditor of Public Accounts*

Staci A. Henshaw, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

November 19, 2025

The Honorable Glenn Youngkin  
Governor of Virginia

Joint Legislative Audit  
and Review Commission

Harrison Hayes  
Executive Director, Virginia Health Workforce Development Authority

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Virginia Health Workforce Development Authority** (Authority). We completed the review on August 11, 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 the Authority 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 Authority. 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 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 Authority's accounting system contains accurate data. Further, we evaluated the Authority's process of completing and submitting attachments to the Department of 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 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 Issued in 2019)** – While the Authority has implemented an information security framework it did not implement the most current security standard. The Authority has adopted the Commonwealth's Information Security Standard (Security Standard) SEC501; however, the Commonwealth superseded this standard with SEC530. In addition, the Authority did not fully establish a program to address all significant aspects of its information security. Management should develop and implement a documented information security program with policies and procedures that incorporate, at a minimum, the applicable security controls outlined in the current Security Standard to protect its sensitive and critical data from unauthorized disclosure, corruption, and loss.
- **Repeat (First Issued in 2019)** – The Authority did not obtain the System and Organization Controls (SOC) report for providers that provide hosting services for a system. As such, the Authority did not perform an evaluation of the SOC report and the complimentary user entity controls described within the report. The Security Standard requires the Authority to have an adequate level of interaction with third-party providers to give the Authority an understanding of the providers' internal control environments and any complementary controls the Authority would need to implement. Management must also maintain oversight over the provider to gain assurance over outsourced operations. The Authority should

develop policies and procedures over review of SOC reports for information technology providers and obtain and comprehensively evaluate SOC reports timely.

- **Partial Repeat (First Issued in 2019)** – The Authority has formal, documented policies and procedures over many of its significant business processes. However, during our review, we identified several critical business areas where the Authority should develop or improve policies and procedures to maintain an effective control environment. As a best practice, to ensure adequate internal controls exist over its financial operations, management should 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 maintain documentation of the process.
- **Repeat (First Issued in 2023)** – The Authority’s bank reconciliations did not contain evidence of review and approval by management. The Authority should update its reconciliation process to require documentation of an approver’s signature and date to show evidence of supervisory review and segregation of duties for these the reconciliations.
- The Authority did not assign information system security responsibilities to ensure proper separation of duties. The Authority did not have an appointed Chief Information Officer, Information System Officer, or Agency Information Technology Representative. The Security Standard requires proper segregation of duties between these roles and responsibilities. The Authority should delegate these role assignments to provide adequate separation of duties and adequate protection against the possibility of fraud in a manner that does not lead to a conflict of interests.
- The Authority outsources multiple information technology (IT) controls to a third-party service provider. However, the Authority does not have a contract or agreement with the service provider. The Authority should ensure staff have a proper understanding of outsourced areas and ensure an agreement with service providers is in place to delineate responsibilities and the associated costs with the third-party service provider. The Authority should properly develop and implement contract procurement, management, and monitoring policies and procedures and retain documented support over monitoring contracted services.
- The Authority did not have documented security administration processes to ensure that management approves all network and applications access. In addition, the Authority did not review users that have system access at least annually to ensure that access is reasonable as required by the Security Standard. The Authority should document and retain evidence of access granted and annually review all users’ access to ensure network and applications access is reasonable and properly approved.
- The Authority did not document its review of monitoring and audit trail control logs for its systems as required by the Security Standard. The Authority should document the review of

logging and monitoring controls for its business environment to reduce the risk to data confidentiality, integrity, and availability.

- The Authority's Continuity of Operations Plan (COOP) and Disaster Recovery Plan (DRP) did not contain sufficient documentation including all required elements. The Security Standard requires agencies to periodically review, reassess, test, and revise the DRP to reflect changes in mission essential functions, services, information technology system hardware and software, and personnel. In addition, the Security Standard requires agencies to review the COOP on an annual basis or more frequently if required to address an environmental change. The Authority should update and test the COOP and DRP to ensure compliance with these requirements.
- The Authority does not have a process for identifying and tracking its leases in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87. GASB Statement No. 87 requires the Authority to group similar leases, distinguish between short-term and long-term classifications, and evaluate explicit, implicit, or incremental borrowing rates prior to defaulting to the prime rate. Management should develop lease procedures to comply with GASB Statement No. 87 and properly record and classify leases in accordance with this standard.
- The Authority did not properly account for subscription-based information technology arrangements (SBITA) in accordance with GASB Statement No. 96. The Authority also did not have an established process for ongoing identification of SBITAs. GASB Statement No. 96 requires the Authority to determine the necessary accounting information 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.
- The Authority did not perform an analysis of potential aggregated assets in accordance with GASB Implementation Guide 2021-1 Question 5.1 and Department of Accounts' guidance email. The Authority 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.
- The Authority did not maintain proper documentation of the review and approval of its most recent physical inventory. The Authority provided evidence of the inventory, but it did not include a preparer or reviewer's signatures and date of completion. As a result, the Authority was unable to demonstrate adequate separation of duties or proper review of the inventory. The Authority should modify its inventory process to ensure adequate separation of duties exists and maintain proper documentation of the process.

- The Authority did not ensure individuals in positions of trust properly filed financial disclosure forms. We identified multiple Board members who did not submit a financial disclosure form. 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. The Authority should ensure that all Board members file the appropriate disclosures upon appointment and subsequently at each annual filing.
- The Authority submitted the financial reporting attachment for reporting subsequent events to the Department of Accounts (Accounts) four months before the deadline. Accounts intends for this attachment to report events that occurred after the end of the reporting period, but prior to the issuance of the financial statements. Early submission of this attachment could result in the Authority not making Accounts aware of events occurring after the submission. The Authority should complete financial reporting attachments accurately and submit them at an appropriate time.

We discussed these matters with management on August 18, 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

January 5, 2026

Stacie Henshaw  
Auditor of Public Accounts  
P.O. Box 1295  
Richmond, VA 23218

Dear Ms. Henshaw,

Thank you for the opportunity to comment on the Auditor of Public Accounts' results from the Internal Control Questionnaire review letter dated November 19, 2025. The Virginia Health Workforce Development Authority (VHWDA) appreciates your staff's efforts and professionalism during this review process.

The VHWDA had the opportunity to meet with your staff and review our plan to address the concerns outlined in the letter. VHWDA has already addressed many of these issues and aims to resolve all of them within the next two years.

Sincerely,



Harrison L. Hayes  
Executive Director

 804-592-1724

 hhayes@vhwda.org

 vhwda.org

 313 E. Broad St., Office 314  
Richmond, VA 23219