



LIBRARY OF VIRGINIA

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF AUGUST 2025

Auditor of Public Accounts
Staci A. Henshaw, CPA

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- TABLE OF CONTENTS -

	<u>Pages</u>
REVIEW LETTER	1-4
AGENCY RESPONSE	5-7



Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
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November 21, 2025

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Dennis Clark
Librarian of Virginia, Library of Virginia

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Library of Virginia** (Library). We completed the review on August 12, 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 Library 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 Library. 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 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 the Library. Further, we evaluated the Library'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 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:

- **Partial Repeat (First Reported in 2019)** – The Library did not conduct an information technology (IT) security audit over each of its sensitive systems at least once in the last three years. The Commonwealth's IT Security Audit Standard, SEC 502, requires that IT systems containing sensitive data, or with a sensitivity rating of high on any of the criteria of confidentiality, integrity, or availability, shall receive an IT security audit at least once every three years. Management should evaluate potential options and develop a formal process for conducting IT audits over each of the sensitive systems at least once every three years to help ensure the protection of sensitive and mission critical data.
- **Partial Repeat (First Reported in 2019)** – The Library does not conduct certain activities as part of its IT Risk Management and Contingency Planning Program that the Commonwealth's Information Security Standard, SEC530 (Security Standard) requires. The Information Technology Disaster Recovery Plan (IT DRP) does not identify the recovery time objectives (RTOs) and recovery point objectives (RPOs) for the Library's individual IT systems that support its business functions. In addition, the Library does not have completed risk assessments for all sensitive systems including all elements that the Security Standard

requires. Although the Library includes RTOs and RPOs in the Continuity Plan, the Library should update its IT DRP and develop and retain risk assessments that include required elements for all sensitive systems.

- The Library is running end-of-life technology that supports two of its IT systems without an approved exception. The Library should ensure all its systems are running current and supported software as required by the Security Standard, and if the Library is unable to update software, it should file an exception for running end-of-life software that includes a description of compensating controls.
- The Library did not regularly obtain the System and Organization Controls (SOC) report for a provider that provides hosting services for a system. As such, the Library did not document an evaluation of the SOC report and the complementary user entity controls described within the report. The Commonwealth Accounting Policies and Procedures (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 would need to implement. Agencies must also maintain oversight of the provider to gain assurance over outsourced operations. The Library should develop policies and procedures for the review of SOC reports and obtain and comprehensively evaluate SOC reports timely.
- The Library 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 Library 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 ensure detailed policies and procedures exist for all critical business areas. In addition, management should develop a process to review and approve all policies and procedures either annually or as needed and retain documentation of the process.
- The Library did not complete a physical inventory over capital assets within the past two years. The Library performed its last physical asset inventory count in April 2022. The Library should perform a physical asset inventory count at least once every two years to ensure proper safeguarding of assets and ensure the accuracy of the Commonwealth's capital asset system data in accordance with CAPP Manual Topic 30505.
- The Library did not properly account for leases in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87. Management did not properly evaluate and record the group of leased assets with the same contracted vendor, lease term, and interest rate. In addition, management did not follow the correct procedure for determining the interest rate. CAPP Manual Topic 31200, which incorporates GASB Statement No. 87 requirements, requires agencies to group leases for recording in the lease accounting system to ensure proper classification of long-term and short-term leases; and to evaluate explicit,

implicit, and incremental borrowing rates before resorting to using the prime rate for a reasonable and accurate interest rate. Management should update its lease procedures to comply with GASB Statement No. 87 and properly record and classify leases in accordance with this standard.

- The Library 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.

We discussed these matters with management on August 12, 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/clj



LIBRARY OF VIRGINIA

Dennis T. Clark
Librarian of Virginia

Staci Henshaw, CPA
101 North 14th Street, 8th Floor
Richmond, VA 23219

Dear Ms. Henshaw,

Below you will find the Library of Virginia's (LVA) responses to the ICQ Results Letter dated November 21, 2025. I have listed the findings identified by your auditors and our agency responses to the findings.

- **Partial Repeat (First Reported in 2019)** – The Library did not conduct an information technology (IT) security audit over each of its sensitive systems at least once in the last three years. The Commonwealth's IT Security Audit Standard, SEC 502, requires that IT systems containing sensitive data, or with a sensitivity rating of high on any of the criteria of confidentiality, integrity, or availability, shall receive an IT security audit at least once every three years. Management should evaluate potential options and develop a formal process for conducting IT audits over each of the sensitive systems at least once every three years to help ensure the protection of sensitive and mission critical data.

Agency Response – The Library agrees with this finding. The Library continues to make concerted efforts to audit and address all sensitive systems as the allocated budget allows.

- **Partial Repeat (First Reported in 2019)** – The Library does not conduct certain activities as part of its IT Risk Management and Contingency Planning Program that the Commonwealth's Information Security Standard (Security Standard), SEC530 requires. The Information Technology Disaster Recovery Plan (IT DRP) does not identify the recovery time objectives (RTOs) and recovery point objectives (RPOs) for the Library's individual IT systems that support its business functions. In addition, the Library does not have completed risk assessments for all sensitive systems including all elements that the Security Standard requires. Although the Library includes RTOs and RPOs in the Continuity Plan, the Library should update its IT DRP and develop and retain risk assessments that include required elements for all sensitive systems.

Agency Response – The Library agrees with this finding. The Library will be conducting a review of all divisions DRPs and will ensure RTOs/RPOs are included.

- The Library is running end-of-life technology that supports two of its IT systems without an approved exception. The Library should ensure all its systems are running current and supported software as required by the Security Standard, and if the Library is unable to update software, it should file an exception for running end-of-life software that includes a description of compensating controls.

Agency Response – The Library agrees with this finding as accurate at the time of reporting. The Library has successfully transitioned both EOL Technologies to updated versions as of August 2025 and December 2025.

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- The Library did not regularly obtain the System and Organization Controls (SOC) report for a provider that provides hosting services for a system. As such, the Library did not document an evaluation of the SOC report and the complementary user entity controls described within the report. The Commonwealth Accounting Policies and Procedures (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 would need to implement. Agencies must also maintain oversight of the provider to gain assurance over outsourced operations. The Library should develop policies and procedures for the review of SOC reports and obtain and comprehensively evaluate SOC reports timely.

Agency Response - The Library agrees with this finding. The Library has developed a modified process and procedure to ensure moving forward that SOC reports are regularly addressed and available for review.

- The Library 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 Library should develop, review, or improve policies and procedures to maintain an effective control environment. Topic 20905 and other sections of the CAPP Manual requires 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. In addition, management should develop a process to review and approve all policies and procedures either annually or as needed and retain documentation of the process.

Agency Response – Management agrees and will implement a formal process to ensure all policies and procedures are reviewed and approved annually or as needed. Documentation of the review and approval process will be maintained to support accountability and internal control compliance.

- The Library did not complete a physical inventory over capital assets within the past two years. The Library performed its last physical asset inventory count in April 2022. The Library should perform a physical asset inventory count at least once every two years to ensure proper safeguarding of assets and ensure the accuracy of the Commonwealth's capital asset system data in accordance with CAPP Manual Topic 30505.

Agency Response – As a result of retirements in key staff positions during FY24, the physical inventory of capital assets was not completed within the scheduled timeframe. A physical asset inventory was conducted in April 2025, and management will conduct physical inventories every two years going forward to support asset safeguarding and ensure the accuracy of capital asset records in compliance with CAPP Manual Topic 30505.

- The Library did not properly account for leases in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87. Management did not properly evaluate and record the group of leased assets with the same contracted vendor, lease term, and interest rate. In addition, management did not follow the correct procedure for determining the interest rate. CAPP Manual Topic 31200, which incorporates GASB Statement No. 87 requirements, requires agencies to group leases for recording in the lease accounting system to ensure proper classification of long-term and short-term leases; and to evaluate explicit, implicit, and incremental borrowing rates before resorting to using the prime rate for a reasonable and accurate interest rate. Management should update its lease procedures to comply with GASB Statement No. 87 and properly record and classify leases in accordance with this standard.

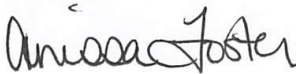
Agency Response – Management agrees and will revise its lease procedures to strengthen compliance with GASB Statement No. 87 and CAPP Manual Topic 31200. Management will review existing lease agreements to ensure leases are properly evaluated, recorded and classified in accordance with GASB 87. Documentation supporting lease evaluations and accounting determinations will be retained to support financial reporting and audit review.

- The Library 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.

Agency Response – Management agrees and will develop a process to evaluate aggregated assets to ensure compliance with applicable guidance. Management will perform a review of existing assets to identify capitalizable aggregated assets and will record such assets in the Commonwealth's capital asset system. Ongoing review controls will be implemented to ensure aggregated assets are properly identified and recorded in future periods, with supporting documentation maintained.

We thank the APA and the audit staff for their professionalism and for the valuable feedback provided during the audit. Management remains committed to continuous improvement and compliance with applicable requirements. We appreciate the opportunity to respond and are available to provide any additional information as needed.

Sincerely,



Anissa Foster
Director of Finance
Library of Virginia