



VIRGINIA FOUNDATION FOR HEALTHY YOUTH

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF APRIL 2025

Auditor of Public Accounts
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Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 6, 2025

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Marty Kilgore
Executive Director, Virginia Foundation for Healthy Youth

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Virginia Foundation for Healthy Youth** (Foundation). We completed the review on April 25, 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 Foundation 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 Foundation. 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. Further, we evaluated the Foundation'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; expenses; 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** - During our review, we identified issues surrounding information system security. We noted the Foundation also received an external information technology (IT) audit report as of February 2022 that identified similar issues. Therefore, we recommend the Foundation continue to devote resources to address the findings included in the IT report. Our review noted that these issues appear to be related to the lack of documented policies and procedures for information technology and information system security including, but not limited to:
 - Granting and approving system access
 - Removal of system access upon separation
 - Security awareness training
 - Periodic system access reviews
 - Monitoring and audit trail controls

Additionally, the Foundation's Continuity Plan contains outdated information. Management should continue working to ensure that the agency is complying with all requirements in the Commonwealth's Information Security Standard, SEC530. Management should also establish written policies and procedures for information technology and information systems security and ensure its Continuity Plan contains current information.

- The Foundation has an agreement with the Virginia Department of Health (Health) to perform many fiscal processes. Our review noted that the detailed agreement is outdated and contains references to the Commonwealth’s previous payroll system as well as the previous accounting and financial reporting system. As there have been significant changes to systems and processes since the two agencies initially developed the agreement, management should work with Health on updating the existing agreement to appropriately reflect each agency’s responsibilities. Additionally, management should periodically review the agreement with Health to determine if significant changes have occurred.
- The Foundation is not properly accounting for leases in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87. The Foundation does not have a process for tracking its leases and lease payments and does not properly account for or track its three rental agreements as long-term leases. The Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 31200, which references GASB Statement No. 87, requires agencies to properly identify and group leases for recording in the lease accounting system to ensure proper classification of leases as long-term and short-term. Management should develop lease procedures and ensure it properly records and classifies leases.
- The Foundation is not properly accounting for subscription-based information technology arrangements (SBITA) in accordance with GASB Statement No. 96. The Foundation does not have an established process for identification of SBITAs and did not review its current software to determine if it met the criteria of a SBITA. CAPP Manual Topic 31300, which references GASB Statement No. 96, requires agencies to determine and record the necessary accounting information in the Commonwealth’s lease accounting system based on the contract to ensure proper classification of long-term and short-term SBITAs. Management should develop SBITA procedures that comply with GASB Statement No. 96 and properly record and classify SBITAs in accordance with this standard.

We discussed these matters with management on May 2, 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



June 10, 2025

Ms. Staci A. Henshaw, CPA
Auditor of Public Accounts
101 North 14th Street, 8th Floor
Richmond, VA 23219

Dear Ms. Henshaw,

I have received and reviewed the "Results Letter" regarding the Virginia Foundation for Healthy Youth's Internal Control Questionnaire Review Results. VFHY appreciates the constructive feedback from the Auditor of Public Accounts regarding opportunities for VFHY to further strengthen internal controls. In response to the initial feedback from APA staff, VFHY took several immediate steps prior to receiving the results. These include:

- Updating financial system and payroll policies and procedures with greater detail;
- Incorporating additional reviews for the financial system reconciliation process;
- Develop procedures to properly record and classify its property leases and subscription-based information technology arrangements;
- Initiate an update to the VFHY Continuity Plan and begin developing written IT system security guidelines for inclusion VFHY's HR Manual.
- Starting the process to review and update the fiscal processes agreement VFHY has the with the Virginia Department of Health.

Additionally, in the upcoming fiscal year (FY 2026) VFHY will hire contractors to assist us in reviewing our internal controls and processes to both address the areas for improvement and prepare us for the next ICQ review and in preparing a new strategic plan that will also include a current risk analysis and SWOT analysis. We believe this approach will assist us in documenting our policies and procedures for all of our key business areas.

Sincerely,

DocuSigned by:

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Marty Kilgore
Executive Director