

# VIRGINIA MILITARY INSTITUTE

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30 August 2024

## MEMORANDUM

**TO:** Audit, Finance and Planning Committee

**FROM:** BG Dallas B. Clark

**SUBJECT:** FY 2023 Financial Statement Audit Internal Control and Compliance Findings and Recommendations

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The Auditor of Public Accounts (APA) identified the following six areas of internal control deficiencies during the FY 2023 audit. The findings are included in the *Report on Audit for the Period Ended June 30, 2023*, issued by the APA and provided to the BOV. A summary of findings is provided and corrective actions taken to date.

### **1. Improve Controls over Reporting of Subscription Based Information Technology Arrangements (SBITA)**

The Institute did not fully comply with the requirements associated with Governmental Accounting Standards Board (GASB) Statement No. 96. The need to develop and implement more robust policies and procedures to ensure the proper identifying, tracking, recording, and reporting of SBITA's is required.

#### *Corrective actions taken:*

- a) Policies and procedures have been rewritten to ensure proper identification of all potential SBITA assets. A current staff member has been designated to review all monthly procurement activity in the General Ledger and to identify potential SBITA assets.
- b) Additional staffing has been approved to organize the Finance and Budget office with one additional full-time accountant to provide the additional staffing and resources necessary to address the new and complex requirements of SBITA.
- c) The identification and use of a software program is being investigated for use to assist in the tracking of SBITA assets to support proper reporting in the annual financial statements.

### **2. Ensure Proper Documentation of Bank Reconciliations**

The Institute did not adequately document the preparation and review of the monthly bank reconciliation process.

#### *Corrective actions taken:*

- a) Process changes now include on the bank reconciliation worksheet the preparer name and date in addition to reviewer certification date. Bank reconciliations are current.

### **3. Improve Information Technology Risk Management and Contingency Planning Program**

The Institute did not conduct aspects of its information technology (IT) risk management and contingency planning program in accordance with the Commonwealth's Information Security Standard SEC501.

*Corrective actions taken:*

- a) The annual review of the VMI Continuity of Operations Plan has been completed and the document updated to address the concerns raised by the APA during the audit.
- b) The annual test of the Continuity of Operations Plan procedures is complete for FY 2024.

### **4. Improve Physical and Environmental Security Program Documentation**

The Institute does not include certain elements within its IT-100 Policy in addition to implementing minimum physical and environmental security requirements.

*Corrective actions taken:*

- a) IT-100 policies and procedures have been updated to include the physical security requirements from SEC-530 to address security reviews for access to the server room.
- b) Information Technology review of facility access lists and visitor logs are being documented and retained as required for one year.

### **5. Improve Controls over Terminated Employees**

The Institute did not consistently and timely remove system access for terminated employees within 24 hours upon termination.

*Corrective actions taken:*

- a) Updated policy and procedures regarding seasonal, part-time employees to state that at the end of each semester or athletic season, the supervisor must inform Human Resources if the employee will be returning for the next semester or season.
- b) Human Resources will run a report every 30 days to identify part-time employees that have not been paid in the last 30 days and will then terminate those employees in the system.
- c) Human Resources Training and Development in-person supervisor trainings for *Managing the Hiring Process* and *The VMI Workforce: Coaching, Disciplinary Issues and Documentation* now emphasizes notification to Human Resources within 24 hours of an employee termination.

### **6. Conduct Information Technology Security Audits**

The Institute has not performed an IT security audit over its sensitive systems within three years in accordance with the Commonwealth's IT Security Standard SEC502.

*Corrective actions taken:*

- a) The required audit, performed by Baker Tilley, was completed on 15 July 2024. The audit contained 29 recommendations that the IT staff is prioritizing and implementing.