



DEPARTMENT OF EDUCATION  
INCLUDING  
DIRECT AID TO PUBLIC EDUCATION

REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2025

Auditor of Public Accounts

Staci A. Henshaw, CPA

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

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## AUDIT SUMMARY

Our audit of the Department of Education and Direct Aid to Public Education; collectively referred to as “Education” throughout this report, for the fiscal year ended June 30, 2025, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth’s accounting and reporting system, Education’s financial system, and attachments submitted to the Department of Accounts;
- three matters involving internal control and its operation requiring management’s attention, two of which also represent instances of noncompliance with applicable laws and regulations that are required to be reported under Government Auditing Standards; and
- corrective action on the prior audit finding remains ongoing as indicated in the Findings Summary included in the Appendix.

In the section titled “Internal Control and Compliance Findings and Recommendations,” we have included our assessment of the conditions and causes resulting in the internal control and compliance findings identified through our audit as well as recommendations for addressing those findings. Our assessment does not remove management’s responsibility to perform a thorough assessment of the conditions and causes of the findings and develop and appropriately implement adequate corrective actions to resolve the findings as required by the Department of Accounts in Topic 10205 – Agency Response to APA Audit of the Commonwealth Accounting Policies and Procedures Manual. Those corrective actions may include additional items beyond our recommendations.

## - TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS	1-3
INDEPENDENT AUDITOR'S REPORT	4-7
APPENDIX – FINDINGS SUMMARY	8
AGENCY RESPONSE	9-10

## INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

### **Comply with Period of Performance Requirements for Child Care Related Grants**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

Education improperly applied a total of \$28.6 million in expenses to the 2023 and 2024 Child Care and Development Fund (Child Care Fund) matching grant awards and the 2021 American Rescue Plan (ARP) Child Care Fund Discretionary grant after the respective grants' obligation period ended. Education subsequently corrected \$27.6 million in Child Care Fund grant expenses by reclassifying them to open grants. However, approximately \$1 million that Education originally applied to the ARP grant remains noncompliant because the respective grant closed before we brought the error to Education's attention.

45 CFR § 98.60(d)(4) specifies that Child Care Fund Matching awards "shall be obligated in the fiscal year in which the funds are granted," and 45 CFR § 98.60(d)(1) states that Child Care Fund Discretionary awards "shall be obligated in the fiscal year in which funds are awarded or in the succeeding fiscal year." In addition, the Child Care Fund Matching award's terms and conditions also specify that funds must be obligated by the end of the award's first federal fiscal year. While the United States Department of Health and Human Services granted an extension that allowed ARP Child Care Fund Discretionary awards to be obligated until September 30, 2023, this date is before fiscal year 2025; thus, obligations in state fiscal year 2025 that Education made from the ARP Child Care Fund Discretionary award are considered outside of the period of performance for the respective grant. As a result, these are considered questioned costs, which will require Education to seek resolution options from the federal government.

Education uses project codes in their financial system to record and track federal fund expenses. Education assigns a grant award to each project code, and each year sets the applicable default codes, which aids in ensuring expenses are applied to the proper grant award. In fiscal year 2025, Education did not update the default grant award assigned to Child Care Fund project codes resulting in Education applying expenses to the Child Care Fund grant after the award's obligation period ended. Additionally, Education did not perform a thorough and timely review of expenses to ensure it obligated the awards within their applicable period. Child Care program staff review transaction details to identify miscoding of expenses based on obligation dates prior to the end of the federal fiscal year or award closeout, rather than reviewing expenses before posting in the financial system.

Education should implement procedures to link grant awards to the proper project codes by default and update the default codes as needed. Additionally, program staff should be involved in reviewing expenses before staff approve the expenses in the financial system to ensure compliance with grant award terms and develop periodic monitoring procedures to identify and correct expenses that staff have improperly obligated and/or liquidated outside of the period of performance. Lastly, Education should seek resolution options from the federal government for any questioned costs resulting from this finding.

### **Improve Database Security**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**First Reported:** Fiscal Year 2024

Education has resolved two of the three prior year weaknesses to implement required controls to protect the database that supports Education's system of record. The Security Standard, SEC530 (Security Standard) and industry best practices, such as the Center for Internet Security, require and recommend implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability. We communicated the remaining control weakness to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under § 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms.

By not meeting the minimum requirements in the Security Standard and industry best practices, Education cannot appropriately manage and maintain the database and ensure data integrity. Education did not resolve the remaining weakness due to it assuming it did not have responsibility for a Security Standard requirement.

Education should ensure it develops and implements the remaining controls to align with the requirements in the Security Standard and industry best practices. Improving database security will help maintain the confidentiality, integrity, and availability of the sensitive and mission-critical data stored or processed in the database.

### **Ensure Retirement Processes are Properly Segregated**

**Type:** Internal Control

**Severity:** Deficiency

An Education employee is responsible for independently completing the following tasks related to the retirement benefits system: entering employee data in the retirement system, reconciling retirement and payroll information, and confirming retirement data without supervisory review and approval. The same individual also serves as the Security Administrator, with administrator-level access for the retirement benefits system.

Industry best practices and internal control frameworks recommend segregation of duties to promote accountability, reduce risk, and ensure the accuracy and reliability of financial and personnel data. Without adequate segregation of duties, there is an increased risk of undetected errors, fraud, or unauthorized transactions and could result in inaccurate retirement data and potential financial or reputational harm to the agency.

Education has not implemented formal policies and procedures that define roles and responsibilities, reconciliation timelines, or documentation requirements for the retirement benefits

process. Additionally, staff turnover has contributed to challenges in maintaining proper segregation of duties.

Education should revise its policies and procedures to clearly define roles, responsibilities, and reconciliation processes related to the retirement benefits system, including adding the expectation for supervisory review and approval. Duties should be appropriately segregated to ensure no single individual has control over all aspects of the process. Additionally, Education should implement cross-training and succession planning to mitigate risks associated with staff turnover.



# Commonwealth of Virginia

*Auditor of Public Accounts*

Staci A. Henshaw, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

February 4, 2026

The Honorable Abigail Spanberger  
Governor of Virginia

Joint Legislative Audit  
and Review Commission

Jeffery Smith  
Secretary of Education

Jenna Conway  
Superintendent of Public Instruction, Department of Education

We have audited the financial records, operations, and federal compliance of the **Department of Education, including Direct Aid to Public Education, (Education)** for the year ended June 30, 2025. We conducted this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, in support of the Commonwealth's Annual Comprehensive Financial Report and Single Audit. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Audit Objectives**

Our audit's primary objective was to evaluate the accuracy of Education's financial transactions as reported in the Annual Comprehensive Financial Report for the Commonwealth of Virginia and test federal compliance in support of the Commonwealth's Single Audit for the year ended June 30, 2025. In support of this objective, we evaluated the accuracy of recorded financial transactions in the Commonwealth's accounting and financial reporting system, Education's financial system, and attachments submitted to the Department of Accounts; reviewed the adequacy of Education's internal control; tested for compliance with applicable laws, regulations, contracts, and grant agreements; and reviewed corrective actions with respect to the audit finding from the prior report.

## **Audit Scope and Methodology**

Education’s management has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, contracts, and grant agreements. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following federal grant programs, significant cycles, classes of transactions, and account balances:

- Federal revenues, expenses, and compliance:
  - Child Care and Development Fund (CCDF) Cluster
  - Child Nutrition Cluster
  - Special Education Cluster (IDEA)
  - Title 1 Grants to Local Educational Agencies
- Standards of Quality allocations and disbursements to localities
- Commonwealth’s retirement benefit system
- Appropriations
- Accounts receivable
- Accounts payable
- Information system security and general system controls, including access controls

We performed audit tests to determine whether Education’s controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of Education’s operations. We performed analytical procedures, including budgetary and trend analyses, and tested details of transactions to achieve our audit objectives.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and, when appropriate, we projected our results to the population.

Our consideration of internal control over financial reporting and federal compliance (internal control) was for the limited purpose described in the section “Audit Objectives” and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given

these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control titled “Comply with Period of Performance Requirements for Child Care Related Grants” and “Improve Database Security,” which are described in the section titled “Internal Control and Compliance Findings and Recommendations,” that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements or noncompliance on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements or material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

In addition to the significant deficiencies, we detected a deficiency in internal control that is not significant to the Commonwealth’s Annual Comprehensive Financial Report and Single Audit but is of sufficient importance to warrant the attention of those charged with governance. We have explicitly identified one finding titled “Ensure Retirement Processes are Properly Segregated” in the section titled “Internal Control and Compliance Findings and Recommendations” as a deficiency.

## **Conclusions**

We found that Education properly stated, in all material respects, the amounts recorded and reported in the Commonwealth’s accounting and financial reporting system, Education’s financial system, and attachments submitted to the Department of Accounts.

We noted certain matters involving internal control and its operation and compliance with applicable laws, regulations, contracts, and grant agreements that require management’s attention and corrective action. These matters are described in the section titled “Internal Control and Compliance Findings and Recommendations.”

Education has not completed corrective action with respect to the prior audit finding identified as ongoing in the [Findings Summary](#) included in the Appendix.

Since the findings noted above include those that have been identified as significant deficiencies, they will be reported as such in the “Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards” and the “Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance,” which are included in

the Commonwealth of Virginia’s Single Audit Report for the year ended June 30, 2025. The Single Audit Report will be available at [www.apa.virginia.gov](http://www.apa.virginia.gov) in February 2026.

**Exit Conference and Report Distribution**

We provided management with a draft of this report for review on February 2, 2026. Government Auditing Standards require the auditor to perform limited procedures on Education’s response to the findings identified in our audit, which is included in the accompanying section titled “Agency Response.” Education’s response was not subjected to the other auditing procedures applied in the audit and, accordingly, we express no opinion on the response.

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.

Staci A. Henshaw  
AUDITOR OF PUBLIC ACCOUNTS

GDS/vks

## FINDINGS SUMMARY

Finding Title	Status of Corrective Action*	Fiscal Year First Reported
Comply with Period of Performance Requirements for Child Care Related Grants	Ongoing	2025
Improve Database Security	Ongoing	2024
Ensure Retirement Processes are Properly Segregated	Ongoing	2025

\*A status of **Ongoing** indicates new and/or existing findings that require management's corrective action as of fiscal year end.



## COMMONWEALTH of VIRGINIA

Jenna Conway  
Superintendent of Public Instruction

DEPARTMENT OF EDUCATION  
P.O. BOX 2120  
RICHMOND, VA 23218-2120

Office: (804) 225-2057  
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February 4, 2026

Ms. Staci Henshaw  
Auditor of Public Accounts  
Post Office Box 1295  
Richmond, Virginia 23218-1295

Dear Ms. Henshaw:

I appreciate the opportunity to respond to the findings of the audit completed by the Auditor of Public Accounts on the Virginia Department of Education (VDOE) and Direct Aid to Public Education for the fiscal year ended June 30, 2025. I am pleased that the audit concluded that the Department properly recorded and reported all transactions, in all material respects, in the Commonwealth's financial reporting system. The audit noted three matters, all of which have been brought to management's attention. We welcome the opportunity to strengthen our processes based on these items. Below are the steps that management will take to address the three matters:

### Complying with Period of Performance Requirements for Child Care-Related Grants

This finding has provided an opportunity for the Early Childhood Division and VDOE Finance to collaborate on new strategies to ensure alignment of project codes with the appropriate grant awards for each federal fiscal year. These process improvements will be fully implemented no later than September 1, 2026. The general ledger posting has been completed, and the remaining funds were returned to the federal government on February 4, 2026.

### Improving Database Security

The required security measures have been implemented and were approved by the OCRM Governance and Risk Management in November 2025. VDOE Cyber Security and Risk Management will continue working with VDOE Technology team to ensure that all technical documents are created, updated, and properly maintained.

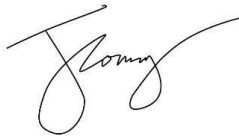
### Ensuring Proper Segregation of Duties in Retirement Processes

Corrective action plans within our Human Resources Office have been established, including refinement and alignment of standard operating procedures, onboarding of a new hire to assume core duties, updates to the security administrator role, and strengthened supervisory oversight.

Ms. Henshaw  
February 4, 2026  
Page 2

Thank you for the opportunity to provide an agency response to the fiscal year 2025 audit report. The Virginia Department of Education has made significant progress over the past year to improve processes and procedures and remains committed to addressing the findings and recommendations identified as needing attention. We value the partnership with the Auditor of Public Accounts and will continue working to enhance the integrity and effectiveness of our operations.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jenna Conway', with a stylized flourish extending to the right.

Jenna Conway  
Superintendent of Public Instruction  
JC/sl