



DEPARTMENT OF EDUCATION INCLUDING DIRECT AID TO PUBLIC EDUCATION

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2020

Auditor of Public Accounts
Staci A. Henshaw, CPA

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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, 2020 found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth’s accounting and financial reporting system, Education’s financial system, and in attachments submitted to the Department of Accounts;
- no matters involving internal control and its operation necessary to bring to management’s attention;
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported;
- adequate corrective action with respect to audit findings and recommendations reported in the prior year; and,
- two issues that are beyond the corrective action of Education’s management and requires the cooperation of the Virginia Information Technologies Agency (VITA) to address the risks, which we report as “Risk Alerts.”

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RISK ALERTS

What is a Risk Alert

During the course of our audit, we encountered internal control and compliance issues that are beyond the corrective action of Education's management alone and requires the action and cooperation of management and the VITA. The following issues represented risks to Education and the Commonwealth during fiscal year 2020.

Improve Vulnerability Remediation Efforts

Repeat: Yes

Education relies on the Commonwealth's Information Technology Infrastructure Services Program (ITISP) to install, maintain, operate, and support information technology (IT) infrastructure components, such as servers, routers, firewalls, and virtual private networks. As a part of these services, Education relies on contractors procured by VITA to install security patches and software updates to remediate weaknesses found in vulnerability scans. Additionally, Education relies on VITA to maintain oversight and enforce service level agreements and deliverables with the ITISP contractors.

While VITA is enforcing the service level agreement, it has not been able to compel the current ITISP contractors to install certain security patches to Education's systems to remediate vulnerabilities in a timely manner or taken actions to obtain these required services from another source. As of November 2020, the ITISP contractors that provide vulnerability remediations for Education's systems have not applied a significant number of critical and required security patches to Education's server and workstation environment, all of which are past the 90-day requirement required by the Commonwealth's Information Security Standard, SEC 501 (Security Standard). Additionally, according to management at Education, the ITISP contractors do not support certain software utilized by Education and claim that it is the responsibility of Education to maintain this software. However, Education does not have the ability to install patches for its software because its staff do not have administrative privileges to servers controlled by the ITISP. Additionally, neither VITA nor the ITISP contractors have provided Education with a listing of approved server software that the ITISP contractors will support and patch.

The Security Standard requires Commonwealth systems to have security-relevant software and firmware updates within 90-days of the release of the update (*Security Standard: Section SI-2 Flaw Remediation*). Without VITA enforcing the delivery of the contractual services from the ITISP contractors to install certain security patches and updates, it increases the risk of cyberattack, exploitation, and data breach by malicious parties. Education is aware of this issue and is working with VITA and the ITISP contractors to continue developing remediation plans to install security patches and updates in accordance with the Security Standard. Additionally, the Commonwealth Security and Risk Management

group within VITA is aware of the need to publish a list of approved software the ITISP contractors will support.

Education is working with VITA and the ITISP contractors to ensure that all servers and workstations have all required security patches installed. Additionally, our separate audit of VITA, which is ongoing, will address this issue.

Improve Audit Log Monitoring

Repeat: No

Education relies on the ITISP to install, maintain, operate, and support IT infrastructure components, such as servers, routers, firewalls, and virtual private networks. As part of these services, Education relies on contractors procured by VITA to provide Education access to a centralized monitoring tool that collects audit log information about activities in Education's IT environment so that Education can review that logged activity. Additionally, Education relies on VITA to maintain oversight and enforce the service level agreements and deliverables with the ITISP contractors.

While VITA is enforcing the deliverable requirements, it has not been able to compel the ITISP contractors to grant Education access to the monitoring tool and audit log information. As of November 2020, the ITISP contractors granted Education access to the centralized monitoring tool, but the audit logs collected for Education's IT environment are not present within the tool for Education to review.

The Security Standard requires audit records be reviewed and analyzed at least every 30 days for indications of inappropriate or unusual activity (*Security Standard: Section AU-6 Audit Review, Analysis, and Reporting*). Without VITA enforcing the deliverable requirements from the ITISP contractors, the risk associated with the Commonwealth's data confidentiality, integrity, and availability is increased.

Education is working with VITA and the ITISP contractors to obtain access to the audit log information within the centralized monitoring tool to ensure Education can review the activities occurring in its IT environment in accordance with the Security Standard. Additionally, our separate audit of VITA, which is ongoing, will address this issue.



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

January 7, 2021

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

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, 2020. 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 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 Comprehensive Annual Financial Report for the Commonwealth of Virginia and test federal compliance in support of the Commonwealth's Single Audit, both for the year ended June 30, 2020. 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 (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 audit findings and recommendations from prior year reports.

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 major program, significant cycles, classes of transactions, and account balances.

Child and Adult Care Food Program – Catalog of Federal Domestic Assistance 10.558

Standards of Quality allocations and disbursements to localities

Appropriations

Accounts receivable

Accounts payable

Information system security to include:

- Systems and data security
- Database security
- Web application security

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 system access, documents, records, journal entries, and contracts, and observation of Education’s operations. We performed analytical procedures, including trend and appropriation analysis. We also tested details of transactions, along with reconciliations of financial, accounting, and management systems to achieve our 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. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 for 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.

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 Accounts, including federal schedules.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we encountered issues that are beyond the corrective action of Education's management alone and requires the action and cooperation of management and the Virginia Information Technologies Agency (VITA). These issues are described in the section titled "Risk Alerts."

While Education has performed its due diligence with respect to the previously reported risk alert titled "Improve Vulnerability Remediation Efforts," VITA is responsible for final mitigation efforts. Accordingly, we included an update on this issue in the section entitled "Risk Alerts." Education has taken adequate corrective action, including implementing compensating controls, with respect to the other audit findings and recommendations that were reported in the prior year.

Exit Conference and Report Distribution

We discussed this report with Education's management on January 8, 2021 and have included their response at the end of this report in the section titled "Agency Response." We did not audit management's response and, accordingly, we express no opinion on the response. Additionally, on January 8, 2021, we provided VITA's management a copy of the Risk Alert section for their review and possible response. VITA's management has elected not to provide a response for inclusion in this audit report and intends to provide a response for inclusion in its audit report to be issued at a later date.

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/clj



COMMONWEALTH of VIRGINIA

James F. Lane, Ed.D.
Superintendent of Public Instruction

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January 15, 2021

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 of the Department of Education (DOE) and Direct Aid to Public Education, for the fiscal year ended June 30, 2020. I am pleased that the audit found that the Department properly recorded and reported all transactions, in all material respects, in the Commonwealth's financial reporting system.

Regarding the findings related to the *Risk Alert – Improve Vulnerability Remediation Efforts*, agency management recognizes the concerns outlined in the report. DOE will continue to work with the Partnership (i.e., Virginia Information Technologies Agency) to ensure that installation of current security patches and other updates for its IT systems and workstations are conducted. DOE will also monitor additional resources that may be provided by the Partnership in support of improving this area.

Regarding the findings related to the *Risk Alert – Improve Audit Log Monitoring*, agency management recognizes the concerns outlined in the report. DOE will continue to work with the Partnership (i.e., Virginia Information Technologies Agency) to ensure the access to a centralized monitoring tool that collects audit log information about activities in Education's IT environment is made available and implemented. DOE will also monitor additional resources that may be provided by the Partnership in support of improving this area.

Thank you for the opportunity to provide an agency response to the audit report. The Department of Education has made great strides to improve the work that is conducted within the agency over the course of the past year and is committed to continue moving forward with sound internal controls and procedures.

Sincerely,

A handwritten signature in black ink, appearing to read "James F. Lane".

James F. Lane

DEPARTMENT OF EDUCATION

As of June 30, 2020

AGENCY OFFICIAL

James F. Lane
State Superintendent of Public Instruction