



DEPARTMENT OF PLANNING AND BUDGET

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2024

Auditor of Public Accounts
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AUDIT SUMMARY

We have audited the statewide budget and appropriation processing controls at the Department of Planning and Budget (Planning and Budget) for the year ended June 30, 2024. Our audit found:

- proper recording and reporting of financial and budget transactions, in all material respects and in accordance with the budget approved by the General Assembly, in the Commonwealth's accounting and reporting system and in the Commonwealth's budgeting system;
- no matters involving internal control and its operations 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; and
- adequate corrective action with respect to prior audit findings and recommendations identified as complete in the [Findings Summary](#) included in the Appendix.

This report includes a Risk Alert that requires the action and cooperation of management at Planning and Budget and the Virginia Information Technologies Agency (VITA).

In fiscal year 2023, we included the results of our audit over Planning and Budget in the report titled "[Agencies of the Secretary of Finance For the Year Ended June 30, 2023](#)."

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RISK ALERT

During the course of our audit, we encountered an issue that is beyond the corrective action of Planning and Budget's management alone and requires the action and cooperation of management and the VITA. The following issue represents such a risk to Planning and Budget and the Commonwealth.

Access to Central Audit Log Information

First Reported: Fiscal Year 2023

Planning and Budget 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 part of these services, Planning and Budget relies on contractors procured by VITA to provide Planning and Budget access to a centralized monitoring tool, known as the Managed, Detection, Response (MDR) Dashboard, that collects audit log information about activities in Planning and Budget's IT environment so that Planning and Budget can review logged activity. Additionally, Planning and Budget relies on VITA to maintain oversight and enforce the service level agreements and deliverables with the ITISP contractors.

While VITA did not originally enforce the deliverable requirement when ratifying the ITISP contracts in 2018, VITA tried to compel the ITISP contractor to grant agencies, such as Planning and Budget, access to the monitoring tool and audit log information for the last five years. The MDR Dashboard went live in October 2023 but did not include all audit log information to allow agencies to adequately monitor their IT environments. Additionally, VITA implemented a separate security and event management (SIEM) tool at the end of October 2023 to expand agencies' capabilities to monitor audit log information. As of October 2024, VITA and the ITISP supplier determined the MDR Dashboard will be replaced by the VITA-managed SIEM tool as the permanent audit log monitoring tool. However, while the VITA-managed SIEM tool is in production, it also does not include all audit log information in a usable format to allow agencies to adequately monitor their IT environments.

The Commonwealth's Information Security Standard, SEC530 (Security Standard), requires a review and analysis of audit records at least every 30 days for indications of inappropriate or unusual activity and assessment of the potential impact of the inappropriate or unusual activity (Security Standard: Section AU-6 Audit Review, Analysis, and Reporting). Using a SIEM tool without all necessary audit log information reduces organizational security posture by not being able to react to and investigate suspicious system activity in a timely manner.

Planning and Budget is working with VITA to import audit log information to the SIEM tool and provide feedback on its uses to ensure Planning and Budget can review the activities occurring in its IT environment in accordance with the Security Standard. Our separate audit of VITA will also address this issue.



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
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December 13, 2024

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Stephen E. Cummings
Secretary of Finance

Michael Maul
Director, Department of Planning and Budget

We have audited the financial records, operations, and federal compliance of the **Department of Planning and Budget** (Planning and Budget) for the year ended June 30, 2024. 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 financial and budget 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, 2024. In support of this objective, we evaluated the accuracy of recorded financial and budget transactions in the Commonwealth's accounting and financial reporting system and the Commonwealth's budgeting system; reviewed the adequacy of Planning and Budget'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. We also evaluated whether the budget approved by the General Assembly was appropriately recorded in the Commonwealth's accounting and financial reporting system and whether controls in this system are adequate to ensure program expenses do not exceed appropriations.

Audit Scope and Methodology

Planning and Budget'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 processes and systems.

Budget execution

Commonwealth's budgeting system

Information security and general system controls (including access controls)

Administrative activities, including contract management and financial reconciliations

Allotment of allowable costs for Coronavirus State and Local Fiscal Recovery Funds

We performed audit tests to determine whether Planning and Budget'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 Planning and Budget'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that 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 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.

Conclusions

We found that Planning and Budget properly stated, in all material respects, the financial and budget amounts recorded and reported in the Commonwealth's accounting and financial reporting system and the Commonwealth's budgeting system; and that the budget approved by the General Assembly is appropriately recorded in the Commonwealth's accounting and financial reporting system.

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.

Planning and Budget has taken adequate corrective action with respect to prior audit findings identified as complete in the [Findings Summary](#) included in the Appendix.

Exit Conference and Report Distribution

We provided management of Planning and Budget with a draft of this report on January 23, 2025. 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

MBR/clj

FINDINGS SUMMARY

Finding Title	Status of Corrective Action*	First Reported for Fiscal Year
Continue to Improve IT Change and Configuration Management Policy and Process	Complete	2021
Allocate Resources to Enforce Separation of Duties	Complete	2023
Improve IT Risk Management and Contingency Planning Documentation	Complete	2023

*A status of **Complete** indicates management has taken adequate corrective action.