



# DEPARTMENT OF SOCIAL SERVICES

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2025

Auditor of Public Accounts

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## AUDIT SUMMARY

Our audit of the Department of Social Services (Social Services) 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, Social Services' financial systems, and supplemental information and attachments submitted to the Department of Accounts (Accounts);
- two deficiencies related to subrecipient monitoring and federal reporting that we consider to be material weaknesses in internal controls and instances of noncompliance with applicable laws and regulations that are required to be reported under Government Auditing Standards;
- 22 matters involving internal control and its operation requiring management's attention, 19 of which also represent instances of noncompliance with applicable laws and regulations that are required to be reported under Government Auditing Standards; however, we do not consider the matters to be material weaknesses; and
- adequate corrective action with respect to the prior audit findings identified as complete in the Findings Summary included in the Appendix.

In response to the Comment to Management included in Social Services' fiscal year 2024 audit report, Social Services engaged a consultant in fiscal year 2025 to assist the agency with developing and evaluating the adequacy of its remediation plans for prior audit findings. As a result of its efforts, Social Services was able to fully resolve eight of the 27 findings (30%) listed as "Ongoing" in its fiscal year 2024 audit report. Additionally, through its corrective actions, Social Services successfully reduced the severity of the prior year finding titled "Improve Information Security Program and IT Governance" from a material weakness to a significant deficiency. Social Services initiated corrective actions on the remaining ongoing findings during fiscal year 2026 and has dedicated the necessary resources to oversee and implement corrective actions. Social Services anticipates that it will continue to fully resolve many of its ongoing findings by the end of fiscal year 2026. Social Services' efforts related to its ongoing findings are reflected in the section of our report titled "Internal Control and Compliance Findings and Recommendations."

We identified the Temporary Assistance for Needy Families (TANF) federal grant program as a high-risk major federal program at Social Services and included it within the Commonwealth's Single Audit scope. The Office of Management and Budget's Compliance Supplement requires an audit of Social Services' Administration for Children and Families' (ACF) 199 TANF Data Report (ACF-199) and 209 Separate State Programs – Maintenance-of-Effort Data Report (ACF-209) submissions. During the audit, we determined that Social Services did not implement internal controls to comply with the provisions at 45 Code of Federal Regulations (CFR) § 265.7(b), which require States to have complete and accurate reports that reflect information available in case records, are free of computational

errors, and are internally consistent. As a result, we communicated this matter to Social Services' management through the audit finding titled "Implement Internal Controls over TANF Federal Performance Reporting," which is included in the section of our report titled "Internal Control and Compliance Findings and Recommendations." Additionally, we issued a qualified opinion on the reporting compliance requirement for the TANF federal grant program because Social Services did not materially comply with the provisions at 45 CFR § 265.7(b).

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 Accounts in Topic 10205 – Agency Response to APA Audit of the Commonwealth Accounting Policies and Procedures (CAPP) Manual. Those corrective actions may include additional items beyond our recommendation.

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## INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

### **Perform Responsibilities Outlined in the Agency Monitoring Plan**

**Type:** Internal Control and Compliance

**Severity:** Material Weakness

**First Reported:** Fiscal Year 2018

The Department of Social Services (Social Services) Compliance Division (Compliance) continues not to adhere to its established approach for overseeing agency-wide subrecipient monitoring, as outlined in its Agency Monitoring Plan. In response to the prior audit recommendations, Compliance made significant revisions to its Agency Monitoring Plan to include tools for tracking and monitoring division-level subrecipient monitoring reviews, began meeting monthly with division-level subrecipient monitoring coordinators, and developed a quarterly variance report that it will use to report the status of the agency's subrecipient monitoring activities to Social Services' Executive Team. Compliance adopted its revised Agency Monitoring Plan in July 2025 and anticipates completing the remainder of its corrective actions by the end of fiscal year 2026. Additionally, Social Services hired a director to lead Compliance in fiscal year 2025.

Social Services engaged a consultant in April 2025 to help develop remediation plans for its previous audit findings. However, because of the extent of its corrective actions, Compliance could not design and implement its corrective actions by the end of fiscal year 2025. As a result, we identified the following deviations from the Agency Monitoring Plan:

- Compliance did not review programmatic division annual subrecipient monitoring plans to ensure they implement a risk-based approach. The Agency Monitoring Plan states that Compliance will use a monitoring plan checklist to evaluate and determine if all the required elements for subrecipient monitoring are present in each division's plan. As a result, Compliance was not aware that the Division of Benefit Programs' (Benefit Programs) non-locality risk assessment template did not include all required risk factors outlined in the Agency Monitoring Plan.
- Compliance did not confirm that division-level subrecipient monitoring coordinators are maintaining monitoring documentation in Compliance's centralized repository. As a result, Compliance could not confirm the completeness of the centralized repository. The Agency Monitoring Plan requires that Compliance monitor whether divisions post monitoring review reports to the centralized repository.
- Compliance did not review each division's monitoring activities nor provide the required quarterly reports of variances and noncompliance from the Agency Monitoring Plan to Social Services' Executive Team. As a result, Compliance and the Executive Team were not aware that Benefit Programs did not comply with certain aspects of its subrecipient monitoring plan, such as maintaining complete sampling documentation, monitoring records and reports, and documenting subsequent corrective action.

Title 2 U.S. Code of Federal Regulations (CFR) § 200.303(a) requires pass-through entities to establish, document, and maintain effective internal control over federal awards to ensure compliance with applicable laws, regulations, and award terms. Further, 2 CFR § 200.332 requires pass-through entities to monitor subrecipients to ensure they meet federal requirements. Finally, the Agency Monitoring Plan establishes Compliance’s responsibility to centrally coordinate, review, and report on subrecipient monitoring activities across all divisions.

Compliance is responsible for agency-wide compliance and risk mitigation that helps ensure adherence to state and federal legal and regulatory standards. During fiscal year 2025, Social Services disbursed approximately \$700 million in federal funds to roughly 350 subrecipients from 37 federal grant programs. Without performing the responsibilities in the Agency Monitoring Plan, Compliance cannot provide the Executive Team with assurance that Social Services’ subrecipient monitoring efforts are adequate to comply with the regulations at 2 CFR § 200.332. Additionally, Compliance places Social Services at risk of disallowed expenditures and/or suspension or termination of its federal awards by not monitoring the agency’s subrecipient monitoring activities. Because of the scope of this matter and the magnitude of Social Services’ subrecipient monitoring responsibilities, we consider these weaknesses collectively to create a material weakness in internal controls since Compliance did not implement its corrective actions by the end of fiscal year 2025. Compliance should continue to implement its planned corrective actions to perform the responsibilities outlined in its Agency Monitoring Plan.

### **Implement Internal Controls over TANF Federal Performance Reporting**

**Type:** Internal Control and Compliance

**Severity:** Material Weakness

**First Reported:** Fiscal Year 2022

Benefit Programs does not have adequate internal controls in place to ensure accurate reporting in the Administration for Children and Families’ (ACF) 199 TANF Data Report (ACF-199) and 209 Separate State Programs – Maintenance-of-Effort Data Report (ACF-209). Social Services submits this data to ACF quarterly, and ACF uses the data to determine whether the Commonwealth met the minimum work participation requirements for the Temporary Assistance for Needy Families (TANF) federal grant program. Benefit Programs uses a third-party service provider to produce the ACF-199 and ACF-209 reports and relies solely on their internal controls during the data extraction and data reporting process as of the end of fiscal year 2025.

In response to the prior audit findings, Benefit Programs made significant revisions to its planned corrective actions to better address the weaknesses identified in prior audits. Benefit Programs’ revised planned corrective actions include inventorying and documenting the ACF-199 and ACF-209 reporting requirements, researching previous reporting errors to determine their cause, developing change requests to address reporting format adjustments, and partnering with their Business Operations Unit to develop internal controls for validating data from its third-party service provider. However, because of the extent of its corrective actions, Benefit Programs was unable to implement all of them by the end of fiscal year 2025. Benefit Programs anticipates completing its corrective actions for this audit finding by the end of fiscal year 2026.

We audited 60 cases and identified 30 instances (50%) where the third-party service provider did not report one or more key line items accurately based on the data Social Services maintains in its case management system or other supporting data, and Benefit Programs did not detect or correct these errors before the third-party service provider submitted the data to ACF. Specifically, we noted that Benefit Programs did not accurately report the following key line items for the ACF-199 and ACF-209 reports submitted during fiscal year 2025:

- Benefit Programs did not accurately report the “Work Participation Status” key line item for 29 out of 60 (48%) cases tested.
- Benefit Programs did not accurately report the “Hours of Participation (Job Search and Job Readiness Assistance)” key line item for five out of 57 (9%) cases tested.
- Benefit Programs did not accurately report the “Type of Family for Work Participation” key line item for one out of 57 (2%) cases tested.
- Benefit Programs did not accurately report the “TANF Family Exempt from Time Limits” key line item for one out of 57 (2%) cases tested.
- Benefit Programs did not accurately report the “Number of Months Countable Toward the Federal Time Limit” key line item for one out of 57 (2%) cases tested.
- Benefit Programs did not accurately report the “Unsubsidized Employment” key line item for one out of 57 (2%) cases tested.

Title 45 CFR § 265.7(b) requires States to have complete and accurate reports, which means that the reported data accurately reflects information available in case records, are free of computational errors, and are internally consistent. Additionally, 2 CFR § 200.303(a) requires pass-through entities to establish, document, and maintain effective internal control over federal awards to ensure compliance with applicable laws, regulations, and award terms.

Reporting potentially inaccurate or incomplete information prevents ACF from adequately monitoring the Commonwealth’s work participation rates and the overall performance for the TANF federal grant program. Further, ACF can impose a penalty if it finds Social Services did not meet statutory required work participation rates. Because of the scope of this matter and errors noted above, we consider it to be a material weakness in internal control. Additionally, we believe this matter represents material noncompliance since Social Services did not fully comply with the provisions at 45 CFR § 265.7(b). Benefit Programs should continue to implement its planned corrective actions to ensure accurate reporting in the ACF-199 and ACF-209 TANF federal performance reports.

## **Improve Information Security Program and IT Governance**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**First Reported:** Fiscal Year 2022

Social Services continues to improve its information security program and information technology (IT) governance structure to address the weaknesses identified in prior audits. In August 2024, Social Services established the Innovation, Architecture, and Governance (IAG) Team to coordinate efforts among the Technology Services Division (TSD), the Cybersecurity Team, the Information Security Risk Management (ISRM) Division, and the Executive Team. The IAG Team established a roadmap to track the tasks, task owners, and target dates to bring the information security program in compliance with the Commonwealth's Information Security Standard, SEC530 (Security Standard). The IAG Team also oversees regularly scheduled coordination working sessions to obtain updates from the owners assigned to each task in the roadmap. Additionally, Social Services changed the reporting structure for the ISRM Division, including the Information Security Officer (ISO). The ISO now reports directly to Social Services' Commissioner.

However, because of the extent of its corrective actions, Social Services has not yet accomplished all the tasks in the established roadmap to complete corrective actions to bring the information security program in compliance with the Security Standard. Although Social Services continues to make significant progress towards prioritizing and implementing IT governance changes to address existing control deficiencies, the IAG Team needed time to establish a roadmap and coordinate efforts among the Cybersecurity Team, the TSD, the IRSM Division, and the Executive Team to be able to ensure effective implementation of the information security program and controls. Due to the number and magnitude of the issues, it will take time for Social Services to complete remediation efforts initiated according to the established roadmap.

The Security Standard requires agency heads to maintain a documented and effectively communicated information security program that is sufficient to protect the agency's IT systems. Unidentified or unresolved vulnerabilities in Social Services' IT environment could result in a data breach or unauthorized access to confidential and mission-critical data, leading to data corruption, data loss, or system disruption, if accessed by either internal or external malicious attackers.

The TSD, the Cybersecurity Team, the ISRM Division, and Social Services' Executive Team should continue to work together and follow the direction of the IAG Team to improve compliance with the Security Standard. As part of the continued effort, the Cybersecurity Team, the TSD, and the IRSM Division should continue to evaluate IT resource levels to ensure sufficient resources are available and dedicated to prioritizing and implementing the planned IT governance structure changes.

### **Continue Improving IT Risk Management Program**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**First Reported:** Fiscal Year 2018

Social Services continues to not have a formal and effective IT Risk Management program that aligns with the requirements in the Security Standard. Specifically, Social Services does not:

- verify and validate the data and system sensitivity ratings of its systems to ensure proper IT system sensitivity ratings.
- ensure that its sensitive systems list aligns with completed data classifications.
- create or annually review risk assessments for each sensitive system.
- create or annually review system security plans for each sensitive system.
- implement risk treatment plans to mitigate risks following its sensitive systems' risk assessments.

We communicated the details of these weaknesses to management in a separate document marked FOIAE under § 2.2-3705.2 of the Code of Virginia, due to it containing descriptions of security mechanisms. The Security Standard requires Social Services to implement certain controls that reduce unnecessary risk to the confidentiality, integrity, and availability of Social Services' IT mission-critical systems and data.

Social Services' IT Risk Management program has a complex workflow, along with a complex IT environment, which has slowed the process of remediation and contributed to the identified weaknesses. By not meeting the minimum requirements in the Security Standard, Social Services cannot ensure the confidentiality, integrity, and availability of data within its systems. Social Services should obtain and dedicate the necessary resources to ensure that its IT Risk Management program aligns with the Security Standard. Additionally, Social Services should implement the controls required to address the weaknesses identified in the FOIAE communication.

### **Continue Developing Record Retention Requirements and Processes for Electronic Records**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**First Reported:** Fiscal Year 2018

Social Services continues to operate without an adequate data retention process that ensures consistent compliance with retention requirements for its case management system and adherence to federal regulations and state law. Social Services' case management system stores several types of federal benefit program records with varying retention requirements supporting ten programs and

services, such as the Medical Assistance (Medicaid), Supplemental Nutrition Assistance (SNAP), Child Care and Development Fund (CCDF) Cluster, Low-Income Home Energy Assistance (LIHEAP), and TANF federal grant programs. Social Services' case management system authorized over \$18 billion in public assistance payments to beneficiaries from these federal programs during fiscal year 2025.

Social Services encountered delays with its record purge and retention project because of the magnitude and complexities associated with effectively implementing a retention and purge process for an integrated eligibility system. Additionally, Social Services identified an additional required element of the purge and retention project following its Release 1 implementation in February 2024. For these reasons, Social Services' plan includes updating the purge and retention design document and implementing Release 2 in August 2025, then completing the purge and retention project with the final releases, Release 3 and Release 4, by February 2026.

Title 45 CFR § 155.1210 governs record retention for Medicaid and requires state agencies to maintain records for ten years. Additionally, the Virginia Public Records Act, outlined in § 42.1-91 of the Code of Virginia, makes an agency responsible for ensuring that its public records are preserved, maintained, and accessible throughout their lifecycle, including converting and migrating electronic records as often as necessary so that the agency does not lose information due to hardware, software, or media obsolescence or deterioration. Further, the Virginia Public Records Act (§ 42.1-76 et seq. of the Code of Virginia) details requirements for the disposition of records. Section § 42.1-86.1 requires that records created after July 1, 2006, and authorized to be destroyed or discarded, must be discarded in a timely manner and such records that contain identifying information as defined by subsection C of § 18.2-186.3 of the Code of Virginia shall be destroyed within six months of the expiration of the records retention period. Finally, the Security Standard requires agencies to implement backup and restoration plans that address the retention of the data in accordance with the records retention policy for every IT system identified as sensitive relative to availability.

Without implementing records retention requirements, Social Services increases the risk of a data or privacy breach. Additionally, destroying documents that should be available for business processes or audit, or keeping data longer than stated, could expose Social Services to fines, penalties, or other legal consequences. Further, Social Services may not be able to ensure that backup and restoration efforts will provide mission-critical information according to recovery times. Finally, retaining records longer than necessary causes the Commonwealth to spend additional resources to maintain, back-up, and protect information that no longer serves a business purpose. Social Services should complete the record purge and retention project for its case management system and should subsequently implement consistent records retention and destruction processes across business divisions to ensure compliance with laws and regulations.

### **Improve Web Application Security**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**First Reported:** Fiscal Year 2019

Social Services continues to not configure a sensitive web application in accordance with its internal policies and the Security Standard. Social Services remediated four of the five previously communicated weaknesses but still has not remediated one weakness. We communicated the control weakness to management in a separate document marked FOIAE under § 2.2-3705.2 of the Code of Virginia, due to it containing descriptions of security mechanisms.

The Security Standard requires Social Services to implement certain controls that reduce unnecessary risk to the confidentiality, integrity, and availability of Social Services' IT mission-critical systems and data. By not meeting the minimum requirements in the Security Standard, Social Services cannot ensure the confidentiality, integrity, and availability of data within its systems. Social Services prioritized other projects which contributed to the weakness persisting.

Social Services' TSD, ISRM Division, and business owners should work together to remediate the remaining weakness to secure the web application and meet the minimum requirements in Social Services' internal policies and the Security Standard. Addressing this weakness will help to ensure that Social Services secures its IT environment and systems to protect its sensitive and mission-critical data and achieve compliance with both internal policies and the Security Standard.

### **Upgrade End-of-Life Technology**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**First Reported:** Fiscal Year 2022

Social Services continues to use end-of-life technologies in its IT environment and maintains technologies that support mission-essential data on IT systems running software that its vendors no longer support. We communicated the control weaknesses to management in a separate document marked FOIAE under § 2.2-3705.2 of the Code of Virginia, due to it containing descriptions of security mechanisms.

The Security Standard prohibits agencies from using software that is end-of-life and which the vendor no longer supports to reduce unnecessary risk to the confidentiality, integrity, and availability of Social Services' information systems and data. By not meeting the minimum requirements in the Security Standard, Social Services cannot ensure the confidentiality, integrity, and availability of data within its systems.

Project delays, including prioritizing other initiatives, slowed remediation efforts. Social Services should dedicate the necessary resources to evaluate and implement the controls and recommendations discussed in the communication marked FOIAE in accordance with the Security Standard.

## **Conduct Information Technology Security Audits**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**First Reported:** Fiscal Year 2023

Social Services is making progress in conducting a comprehensive IT security audit on each sensitive IT system at least once every three years. Social Services identified 78 sensitive IT systems which currently require an IT security audit and completed audits for 30 of these systems during calendar years 2022 and 2023. These systems are due to be audited again during the three-year audit period covering calendar years 2024 to 2026. Additionally, Social Services completed audits for 31 sensitive IT systems during calendar year 2024. However, 17 sensitive IT systems (22%) remain unaudited, including one system that has not been audited since 2017. Social Services hired a contractor to complete an audit over each of the remaining unaudited systems and those due for audit during the audit period covering calendar years 2024 to 2026.

Social Services did not perform the remaining IT security audits due to prioritizing required federal audits and needing additional funding to contract out the remaining sensitive system audits. Lack of a documented procedure and process for conducting IT security audits also contributed to the lapse in IT security audits conducted over the last three years.

Additionally, Social Services drafted an IT Audit Policy for conducting IT security audits over each sensitive system but has not implemented it since it is pending management's approval. Social Services indicates it is on track to approve the draft policy and complete the remaining IT security audits by the end of calendar year 2026.

The Security Standard requires that each IT system classified as sensitive undergo an IT security audit as required by and in accordance with the current version of the Commonwealth's IT Security Audit Standard, SEC502 (IT Audit Standard). The IT Audit Standard requires that IT systems containing sensitive data, or systems with an assessed sensitivity of high on any of the criteria of confidentiality, integrity, or availability, receive an IT security audit at least once every three years.

Without conducting full IT security audits for each sensitive system once every three years, Social Services increases the risk that IT staff will not detect and mitigate existing weaknesses. Malicious parties taking advantage of continued weaknesses could compromise sensitive and confidential data. Further, such security incidents could lead to mission-critical systems being unavailable. Social Services should finalize and implement its IT Audit Policy then complete all outstanding IT security audits to ensure it meets its IT Audit Policy and Security Standard requirements.

### **Evaluate Separation of Duty Conflicts within the Case Management System**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**First Reported:** Fiscal Year 2023

Benefit Programs continues to implement corrective actions pertaining to evaluating separation of duties conflicts within its case management system. In response to the prior audit findings, Benefit Programs developed a collaborative strategy to address separation of duties conflicts in the case management system and generated a complete listing of current roles and responsibilities. However, because of the extent of its corrective actions, Benefit Programs could not fully develop and implement all corrective actions by the end of fiscal year 2025. Benefit Programs intends to create a matrix to identify individual conflicts, generate a report of users with conflicting roles, and develop justifications and internal controls for these instances by the end of fiscal year 2026.

Social Services, in conjunction with local departments of social services, other state agencies, and numerous contractors, uses the case management system to determine applicant eligibility and authorize benefit payments for the Medicaid, SNAP, CCDF Cluster, LIHEAP, and TANF federal grant programs. Social Services authorized over \$18 billion in assistance payments to beneficiaries from these federal programs through its case management system during fiscal year 2025.

The Security Standard requires the agency to separate duties of individuals as necessary, document separation of duties of individuals, and define information system access authorizations to support the separation of duties. Further, Social Services' Information Security Policy states that the system owner is responsible for identifying and documenting separation of duties for individuals and defining system access authorizations to support separation of duties.

Without identifying and evaluating separation of duties conflicts, Benefit Programs does not know which combination of roles may pose a separation of duties conflict in its case management system. As a result, Benefit Programs is unable to implement compensating controls, which increases the possibility of a system breach or other malicious attack on Social Services' data and places Social Services' reputation at risk. Benefit Programs should continue to implement its corrective actions pertaining to evaluating separation of duties within its case management system.

### **Improve Database Security**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

Social Services does not require and has not implemented certain requirements in accordance with the Security Standard and industry best practices for its database. We identified two control weaknesses and communicated them to management in a separate document marked FOIAE under § 2.2-3705.2 of the Code of Virginia, due to it containing descriptions of security mechanisms.

The Security Standard requires agencies to implement certain controls that reduce unnecessary risk to the confidentiality, integrity, and availability of Social Services' IT mission critical systems and data. By not meeting the minimum requirements in the Security Standard, Social Services cannot ensure the confidentiality, integrity, and availability of data within its systems.

Due to an oversight, Social Services' management did not identify that the database was not configured according to Security Standard requirements. Social Services began testing and applying the configurations needed to resolve the weaknesses identified in the database during the audit. Social Services should dedicate the necessary resources to ensure database configurations align with the requirements of the Security Standard and industry best practices.

### **Improve Change Management Process**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

Social Services does not consistently follow its IT change management process to include elements required by its IT Change Management Process Procedure and the Security Standard. Specifically, our review found:

- Social Services did not track changes to application code and maintain version control in one of its three (33%) development projects.
- Social Services did not perform a risk and impact analysis for one of 40 (3%) changes.
- Social Services did not review the risk and impact analysis and validate the change for four of 40 (10%) changes.
- Social Services did not establish and document a backout plan for one of 40 (3%) changes.
- Social Services did not update and attach supporting documentation for the change for 40 of 40 (100%) changes.
- Social Services did not complete user acceptance testing for six of 40 (15%) changes.
- Social Services did not validate the change to confirm complete and successful execution for one of 40 (3%) changes.

Social Services' IT Change Management Process Procedure requires that each change include a documented risk and impact rating validated through ISRM oversight; an implementation plan (also known as the Playbook, which verifies technical testing and roles and responsibilities); a clearly defined backout plan; post-implementation validation to verify all acceptance criteria were met (including testing

evidence); and attached closure documents that include user acceptance testing and updated supporting documentation, such as technical diagrams and baselines. The Security Standard requires that Social Services document and implement configuration change control processes that involves the systematic proposal, justification, implementation, testing, review, and disposition of system changes, including system upgrades and modifications. Additionally, the Security Standard requires agencies to employ tools and processes for maintaining trusted generations of source code.

Social Services established and implemented its current change management procedure and process in September 2024; however, the process has not matured to include the necessary oversight to ensure employees adhere to each of the steps in the procedure. Without consistently implementing a formal change management process that aligns with the requirements of its IT Change Management Process Procedure and the Security Standard, Social Services increases the risk of implementing unauthorized changes to its production environment that may negatively affect the confidentiality, integrity, and availability of its IT systems and data. Social Services should implement an oversight capability to consistently implement and systematically record all changes according to its IT Change Management Process Procedure and the Security Standard.

### **Improve Identity and Access Management Oversight and Controls**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

Social Services does not conduct organization-wide oversight to ensure the performance of identity and access management (IAM) controls that protect sensitive information in its critical systems in accordance with organizational policies and procedures and the Security Standard. Social Services manages sensitive systems that require strong IAM controls. As a result of not conducting organization-wide oversight, Social Services does not:

- Examine and evaluate risk for critical IAM elements and maintain risk assessments to capture changes in risk and the control environment to ensure Social Services implements appropriate controls to reduce risk to an acceptable level.
- Define processes and practices to collect, monitor, and evaluate performance metrics that Social Services has implemented for IAM functions to evaluate how the functions are performing against agreed-upon performance expectations and report results to stakeholders.
- Revoke access for terminated users timely.
- Maintain an inventory of service accounts, document the purpose of each account, and centrally manage the service accounts to minimize the potential for misuse.

- Provide access to users only after the asset owner authorizes access. Social Services Access Control Policy states that the System Owner shall require the implementation team to enforce approved authorizations.

The Security Standard states that the agency head is responsible for the security of the agency's IT systems and data, including designating an ISO for the agency that reports directly to the agency head. The Security Standard states that the ISO is responsible for developing and managing the agency's information security program. By not conducting organization-wide oversight of IAM controls, Social Services cannot rely on the controls to effectively reduce the risk of compromise to confidentiality, integrity, and availability of sensitive data in its IT environment. Social Services' decentralized approach to ensuring IAM control compliance contributes to the lack of oversight and lack of efficient and effective implementation of the individual IAM findings outlined above. Social Services should assign oversight of organizational IAM controls to a central person or team. The person or team responsible should subsequently establish and implement a centralized process to oversee IAM controls to ensure Social Services consistently implements access and account management controls. A centralized oversight IAM function will help Social Services manage IAM controls to protect the confidentiality, integrity, and availability of sensitive and mission-critical data.

### **Identify and Assign Security Roles for Each Sensitive IT System**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

Social Services' ISO did not identify a system owner for each sensitive IT system and ensure system owners assigned a data owner, system administrator, and data custodian for each sensitive IT system. Social Services manages and maintains 80 sensitive IT systems that require security role assignments. Specifically, our audit identified:

- The ISO did not identify a system owner for two of its 80 (3%) sensitive systems.
- The ISO did not confirm that system owners assigned a data owner for five of 80 (6%) sensitive systems.
- The ISO did not confirm that system owners assigned a system administrator for 40 of 80 (50%) sensitive systems.
- The ISO did not confirm that system owners assigned a data custodian for ten of 80 (13%) sensitive systems.

The Security Standard requires that the agency head or designee identify a system owner for each agency sensitive IT system and requires the system owner to assign a data owner, data custodian, and system administrator for each agency sensitive IT system. Without assigning security roles, Social Services lacks accountability, which may lead to a failure to enforce security policies and lead to a higher risk of security incidents.

Social Services designated the ISO with the responsibility for ensuring that it assigns security roles for each sensitive IT system. However, due to an oversight, the ISO did not assign security roles for each sensitive IT system. The ISO should identify a system owner for each sensitive IT system and ensure system owners assign a data owner, system administrator, and data custodian for each sensitive IT system to meet the Security Standard requirements and to maintain the confidentiality, integrity, and availability of sensitive and mission-critical data.

### **Review Non-Locality Subrecipient Single Audit Reports**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**First Reported:** Fiscal Year 2018

Compliance continues to not review non-locality subrecipient Single Audit reports as set forth within Compliance's Agency Monitoring Plan. Non-locality subrecipients are subrecipients who are not local governments (primarily non-profit organizations). During fiscal year 2025, Social Services disbursed approximately \$125 million in federal funds to 252 non-locality subrecipients. Of the 11 non-locality subrecipients that received more than \$750,000 in federal funds from Social Services, we identified two (18%) that did not have a Single Audit reporting package available in the Federal Audit Clearinghouse (Clearinghouse) for the most recent audit period; one of which appeared to have never filed a Single Audit reporting package.

Since the prior audit, Compliance adopted a policy regarding how to obtain and review information from the Clearinghouse, compiled a list of non-locality subrecipients receiving federal funds, and worked with Social Services' Contract and Procurement Team to update contract language that requires the non-locality to communicate anticipated federal spending to Social Services so Compliance can monitor adherence with the Single Audit requirements. However, because of the extent of its corrective actions, Compliance was unable to fully implement its corrective action and review all non-locality subrecipient Single Audit reports by fiscal year end.

Title 2 CFR § 200.332(f) requires pass-through entities to verify that subrecipients expending \$750,000 or more in federal awards during the fiscal year obtain a Single Audit. Additionally, Compliance's Agency Monitoring Plan requires the subrecipient monitoring coordinator to reference a comprehensive list of non-locality subrecipients and corresponding federal expenditures, identify subrecipients required to obtain a Single Audit, verify submission of those audits to the Clearinghouse, and follow up with subrecipients that have not complied.

Without verifying whether non-locality subrecipients receive a Single Audit, Compliance is unable to provide assurance that Social Services is fulfilling its responsibilities as a pass-through entity. By not reviewing non-locality subrecipient Single Audit reports, Social Services may be unaware of a potential liability to the Commonwealth. Not complying with federal regulations could result in federal awarding agencies temporarily withholding payments until Social Services takes corrective action; disallowing costs for all or part of the activity associated with the noncompliance; suspending or terminating the federal

award in part or in its entirety; initiating initial suspension or debarment proceedings; and/or withholding further federal funds for the project or program. Compliance should continue its corrective action efforts and begin reviewing non-locality subrecipient Single Audit reports.

### **Evaluate Subrecipients' Risk of Noncompliance in Accordance with Federal Regulations**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**First Reported:** Fiscal Year 2021

As in prior years, Benefit Programs is still not confirming that program consultants evaluate each subrecipient's risk of noncompliance in accordance with its subrecipient monitoring plan. Benefit Programs oversees the Medicaid, SNAP, TANF, and CCDF Cluster federal grant programs. Benefit Programs disbursed over \$425 million in grant funding during fiscal year 2025 from these federal grant programs to over 260 subrecipients.

In response to prior audit recommendations, Benefit Programs hired a subrecipient monitoring coordinator in fiscal year 2025 and began creating new materials for managing risk assessments and monitoring reviews, including developing a memorandum detailing the schedule and operation for monitoring activities. Additionally, Benefit Programs developed tracking tools to monitor completion of risk assessments and follow-up activities. However, due to the extent of its corrective actions, Benefit Programs did not complete all corrective actions by the end of fiscal year 2025. As a result, we noted the following deviations while auditing Benefit Programs' fiscal year 2025 subrecipient monitoring activities:

- Program consultants did not complete programmatic risk assessments for 17 of 42 (40%) non-locality subrecipients with fiscal year payments.
- Program consultants did not provide an adequate justification for not conducting monitoring reviews for 11 of 76 (14%) locality risk assessments rated high or medium.
- Program consultants did not complete 15 of 316 (5%) locality programmatic risk assessments.

Title 2 CFR § 200.332(b) requires pass-through entities to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. Additionally, Benefit Programs' subrecipient monitoring plan requires that all staff follow its procedures which guide the process and frequency for ongoing subrecipient monitoring of public assistance programs at local departments.

Without appropriate oversight of program consultants, Benefit Programs cannot demonstrate proper monitoring of subrecipient activity, including whether the subrecipient used the subawards for authorized purposes and in compliance with federal statutes, regulations, and the terms and conditions of the subaward. Benefit Programs should continue to implement its planned corrective actions to evaluate subrecipient's risk of noncompliance in accordance with federal regulations.

## **Confirm Monitoring Activities are Conducted in Accordance with the Monitoring Plan**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**First Reported:** Fiscal Year 2022

Benefit Programs continues to not confirm that program consultants complete required subrecipient monitoring procedures and/or document their work in accordance with its subrecipient monitoring plan. Benefit Programs oversees the Medicaid, SNAP, TANF, and CCDF Cluster federal grant programs. Benefit Programs disbursed over \$425 million in grant funding during fiscal year 2025 from these federal grant programs to over 260 subrecipients.

In response to prior audit recommendations, Benefit Programs hired a subrecipient monitoring coordinator in fiscal year 2025 and began creating new materials for managing risk assessments and monitoring reviews, including developing a memorandum detailing the schedule and operations for monitoring activities. However, due to the extent of its corrective actions, Benefit Programs did not complete its corrective actions by the end of fiscal year 2025. As a result, Benefit Programs did not identify incomplete sampling documentation, missing monitoring records, untimely locality notifications, incomplete monitoring reports, or insufficient documentation of corrective actions across multiple locality reviews.

While reviewing fiscal year 2025 monitoring activities, we noted the following deviations from Benefit Programs' subrecipient monitoring plan:

- Benefit Programs did not confirm that program consultants uploaded all required monitoring records to the data repository. As a result, Benefit Programs could not provide complete documentation for six out of 20 locality reviews (30%).
- Benefit Programs did not confirm that program consultants maintained complete sampling documents and final locality review reports for five out of 20 locality reviews (25%).
- Benefit Programs did not confirm that program consultants fully documented corrective actions for five out of 20 locality reviews (25%).
- Benefit Programs did not confirm that program consultants selected and documented sampling units appropriately. As a result, three out of 20 locality reviews (15%) lacked sufficient documentation of sampling units, and one out of 20 reviews (5%) did not include the required number of sampled cases.
- Benefit Programs did not confirm that program consultants included all required elements in their final monitoring review reports in two out of the 20 locality reviews (10%).
- Benefit Programs did not confirm that program consultants provided timely notification to localities for the monitoring review for one out of 20 locality reviews (5%).

Title 2 CFR § 200.332(e) requires pass-through entities to monitor subrecipients use of subawards for authorized purposes in compliance with federal statutes, regulations, and the terms and conditions of the award. Benefit Programs' subrecipient monitoring plan outlines the required monitoring steps, documentation standards, and timelines necessary to comply with this regulation. Without confirming that program consultants complete monitoring activities in accordance with its monitoring plan, Benefit Programs cannot provide reasonable assurance that it complied with federal monitoring requirements. These deficiencies can increase the risk of undetected noncompliance, disallowed expenditures, and potential suspension or termination of federal awards. Benefit Programs should continue to implement its planned corrective actions to confirm that program consultants conduct subrecipient monitoring activities in accordance with its monitoring plan.

### **Strengthen Internal Controls over FFATA Reporting**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**First Reported:** Fiscal Year 2022

Social Services Division of Finance (Finance) continues to lack adequate internal control over Federal Funding Accountability and Transparency Act (FFATA) reporting. FFATA reports disclose how entities and organizations are obligating federal funds. During fiscal year 2025, Social Services disbursed over \$700 million in federal funds from roughly 4,800 subawards.

In response to prior audit recommendations, Finance revised its FFATA reporting policy to establish procedures for the timely completion and submission of required reports and began submitting FFATA reports to the federal government. However, we noted the following deviations from Finance's FFATA reporting policy while auditing new subawards granted for the Foster Care, Social Services Block Grant, and TANF federal grant programs during fiscal year 2025:

- Finance's Federal Reporting Unit did not file any FFATA reporting submissions for non-locality subrecipients that received TANF funds from the Division of Family Services and the Division of Community and Volunteer Services. These divisions disbursed approximately \$10.4 million from 39 new TANF subawards during fiscal year 2025.
- In a sample of seven report submissions, we identified the following inaccuracies in the System for Award Management (SAM.gov) for TANF subawards that Benefit Programs awarded to non-locality subrecipients:
  - o The Federal Reporting Unit reported an inaccurate subaward obligation/action date for four (57%) report submissions.
  - o The Federal Reporting Unit reported an inaccurate subaward Unique Entity Identifier (UEI) for one (14%) report submission.

- o The Federal Reporting Unit reported an inaccurate subaward name for one (14%) report submission.
- The Federal Reporting Unit did not submit FFATA reporting submissions timely for the TANF, Social Services Block Grant, and Foster Care Title IV-E federal grant programs. The Federal Reporting Unit’s delays in FFATA reporting ranged from three months to over one year.

Title 2 CFR Part 170 Appendix A requires non-federal entities to report each obligating action that equals or exceeds \$30,000 to SAM.gov by the end of the month following the obligating action. This requirement also applies to any subaward modification that increases the award amount to equal or exceed \$30,000. Additionally, 2 CFR §200.303(a) requires pass-through entities to establish, document, and maintain effective internal control over federal awards to ensure compliance with applicable laws, regulations, and award terms.

Finance uses a decentralized approach to fulfil its FFATA reporting responsibilities since it does not determine which subrecipients will receive federal funding. To mitigate the risk of reporting incomplete and inaccurate information to SAM.gov, Finance and the programmatic divisions developed a Budget Solicitation Form to track and monitor Social Services’ subaward obligations. Additionally, Finance’s Contract and Procurement Team maintains a list of subawards that it makes available to all parties on Social Services’ intranet. Finally, Finance’s Financial Systems Team developed a report from Social Services’ financial accounting and reporting system that reports expenditures by federal program and subaward. However, Finance’s FFATA reporting policy did not indicate how the Federal Reporting Unit should use this information to monitor FFATA reporting compliance. As a result, the Federal Reporting Unit did not use this information, in its entirety, and did not identify the deviations noted above during the normal course of its operations.

When Social Services does not upload all obligating actions meeting the reporting threshold to SAM.gov, as required, a citizen or federal official may have a distorted view of how Social Services is obligating federal funds. Finance should update its FFATA reporting policy to document what sources of information the Federal Reporting Unit should use to monitor compliance with the FFATA reporting requirements and apply appropriate oversight to ensure the Federal Reporting Unit submits complete and accurate information to SAM.gov.

**Obtain, Review, and Document System and Organization Control Reports of Third-Party Service Providers**

**Type :** Internal Control and Compliance  
**Severity:** Significant Deficiency  
**First Reported:** Fiscal Year 2021

Social Services continues to implement its corrective actions for obtaining, reviewing, and documenting System and Organization Control (SOC) reports of third-party service providers, specifically SOC 1, Type 2 reports. In response to prior audit recommendations, Social Services created a policy and procedure outlining the expectations for obtaining, reviewing, and documenting SOC 1, Type 2 reports

and designated contract administrators as the party responsible for implementing the policies and procedures. Additionally, Social Services created training and a questionnaire that will guide contract administrators when conducting their review of the SOC 1, Type 2 report. However, because of the extent of its corrective actions, Social Services was unable to fully implement its policy and procedure as of the end of fiscal year 2025.

SOC 1, Type 2 reports address the operating effectiveness of third-party service providers' internal controls and the effect those internal controls may have on a user entity's financial statements. Social Services uses third-party service providers to perform functions that are significant to its financial operations such as administering the electronic benefit transfer (EBT) process for several of its public assistance programs. During fiscal year 2025, Social Services' third-party service provider issued nearly \$2 billion in financial assistance to beneficiaries on EBT cards.

Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 10305 requires agencies to have adequate interaction with third-party service providers to appropriately understand their internal control environment and maintain oversight over them to gain assurance over outsourced operations. Additionally, 2 CFR § 200.303(a) requires pass-through entities to establish, document, and maintain effective internal control over federal awards to ensure compliance with applicable laws, regulations, and award terms.

Without fully implementing its policy and procedure, Social Services may not fully assess whether its complementary user entity controls are sufficient to support reliance on the third-party service providers' controls. Additionally, by not obtaining the necessary SOC 1, Type 2 reports timely or properly documenting its review of the reports, Social Services may not timely detect a weakness in a third-party service provider's environment. Social Services should continue to implement its corrective actions for obtaining, reviewing, and documenting SOC 1, Type 2 reports to comply with the CAPP Manual provisions and federal regulations.

### **Perform Analysis to Identify Service Provider Agencies That Perform Significant Fiscal Processes**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**First Reported:** Fiscal Year 2022

Consistent with prior years, Social Services is not performing a comprehensive analysis of service provider agencies during its Agency Risk Management and Internal Control Standards (ARMICS) review to determine if they perform significant fiscal processes. Significant fiscal processes include, but are not limited to, programs or activities that have a high-degree of public visibility; represent areas of concern and high risk to mission-critical business processes for agency managers and stakeholders; or have a significant effect on general ledger account balances. Social Services transferred approximately \$53 million to other state agencies or institutions from various federal grant programs during the fiscal year to administer certain grants management functions on its behalf.

CAPP Manual Topic 10305 states an agency (primary agency) may use another agency (service provider agency) to perform significant fiscal processes for the primary agency. ARMICS states that decisions about significance should consider not only quantitative, but also qualitative factors, and managers should define any fiscal process as significant if errors or misstatements in the process could have adverse consequences for legal or regulatory obligations. Further, CAPP Manual Topic 10305 states that if a primary agency identifies a service provider agency that performs significant fiscal processes, the primary agency must have adequate interaction with the service provider agency to gain an appropriate understanding of the service provider agency's control environment and obtain assurances from the service provider agency regarding the state of internal control applicable to the significant fiscal processes performed. Finally, 2 CFR §200.303(a) requires pass-through entities to establish, document, and maintain effective internal control over federal awards to ensure compliance with applicable laws, regulations, and award terms.

During its analysis of service provider agencies, Social Services only considered service provider agencies that have a significant effect on general ledger account balances but did not consider qualitative factors like degree of public visibility, areas of concern, or risk to mission-critical business processes. Additionally, Social Services inadvertently indicated that corrective action for this finding was complete during its transition of corrective action plan responsibilities.

Without performing a comprehensive analysis of service provider agencies during its ARMICS review, Social Services cannot provide assurance that it obtained adequate coverage over service provider agency operations that are quantitatively or qualitatively significant to its operations. Social Services should identify all service provider agencies and determine which entities provide significant fiscal processes. Thereafter, Social Services should perform a comprehensive analysis to determine if it has an appropriate understanding of the agency's control environment and obtain assurance from the service provider agency regarding the state of internal control applicable to the significant fiscal processes performed.

### **Strengthen Internal Controls Over Financial System Reconciliations**

**Type:** Internal Control

**Severity:** Significant Deficiency

Finance is not fully completing and documenting its financial system reconciliations prior to certifying its completion to the Department of Accounts (Accounts). Based on Accounts' guidelines, Finance staff performed reconciliations timely for each of the three financial system reconciliations tested during the audit; however, Finance management did not review and approve the reconciliations prior to certifying their completion to Accounts. CAPP Manual Topic 20905 prohibits agencies from submitting month-end or fiscal year-end certifications until completing and fully documenting the related reconciliation.

Finance identified this requirement in its financial system reconciliation policies and procedures. However, Finance experienced turnover in its General Ledger Reconciliation Unit during the fiscal year and management did not make the new manager responsible for reviewing and approving the financial

system reconciliations aware of these policies and procedures during training. Accounts relies on agencies completing timely and accurate reconciliations to assist with its preparation of the Commonwealth's Annual Comprehensive Financial Report (ACFR). Incomplete or undocumented reconciliations can increase the risk of unidentified errors or misstatements in the Commonwealth's accounting and financial reporting system, which could adversely affect the ACFR.

Finance should make all personnel aware of its financial system reconciliation policies and procedures and implement the appropriate internal controls to ensure personnel complete and fully document financial system reconciliations prior to submitting the monthly and/or year-end certification to Accounts.

### **Reconcile the Commonwealth's Retirement Benefits System**

**Type:** Internal Control

**Severity:** Significant Deficiency

**First Reported:** Fiscal Year 2022

Consistent with prior years, Social Services' Division of Human Resources (Human Resources) Benefit Administration Team (Benefit Administration) is not adequately reconciling the Commonwealth's retirement benefits system in accordance with the CAPP Manual Topic 50470. Social Services employs nearly 1,800 salaried employees and Benefit Administration is responsible for administering the agency's post-employment benefits program. In response to prior audit recommendations, Benefit Administration created policies and procedures for reconciling the Commonwealth's human resource and payroll management and retirement benefits systems. However, Benefit Administration's reconciliation policies and procedures do not include all requirements set forth in CAPP Manual Topic 50470.

While Benefit Administration's policies and procedures include guidance for how to retrieve the data necessary to perform the reconciliation, the policies and procedures lack clear guidance on how to investigate and resolve discrepancies. Additionally, Benefit Administration's policies and procedures do not include guidance for reviewing the Virginia Retirement System's cancelled records or billing exception reports. Benefit Administration did not review CAPP Manual Topic 50470 in its entirety when developing its policies and procedures and therefore, did not identify all requirements.

CAPP Manual Topic 50470 requires agencies to validate the accuracy of retirement, retiree credit, group insurance, long-term disability, and other corresponding retirement plan deductions in the Commonwealth's human resource and payroll management and retirement benefit systems, complete a timely review of the monthly reconciliation reports, establish accuracy of any automated amounts or complete any corrective actions, and maintain employee enrollment information and any supporting documentation for audit purposes. Insufficient reconciliation processes can affect the integrity of the information in the Commonwealth's retirement benefits system, which the Virginia Retirement System uses for pension liability calculations for the Commonwealth's agencies and institutions. Human Resources should dedicate the necessary resources to ensure its policies and procedures conform with CAPP Manual Topic 50470 and ensure the process is working as intended upon implementation.

## **Monitor Timely Entry of Employee Separations into the Commonwealth's Human Resource and Payroll**

### **Management System**

**Type:** Internal Control

**Severity:** Deficiency

Benefits Administration did not enter employee separation data into the Commonwealth's human resource and payroll management system on or before the employee's separation. For the 24 employee separations tested during the audit, Benefits Administration did not enter ten employee separations (42%) into the Commonwealth's human resource and payroll management system on or before the employee's separation. CAPP Manual Topic 50320 requires agencies to complete certain procedures prior to termination of the employee in the Commonwealth's human resource and payroll system, including updating their employment status.

Human Resources did not identify these deviations because it had not established a process to monitor the timely entry of employee separations into the Commonwealth's human resource and payroll management system. The ISRM Division receives employee separation data from Human Resources and uses it to ensure security officers are removing access promptly and in accordance with the Security Standard.

Without monitoring the timely entry of employee separations into the Commonwealth's human resource and payroll management system, Social Services places itself at risk of not complying with certain legal and regulatory standards such as the Security Standard and/or other regulatory standards pertaining to securing IT. Human Resources should establish processes to monitor the timely entry of employee separations into the Commonwealth's human resource and payroll management system.

## **Monitor Case Management System Records to Ensure Compliance with TANF Eligibility Requirements**

**Type:** Internal Control and Compliance

**Severity:** Deficiency

**First Reported:** Fiscal Year 2023

Social Services did not comply with certain federal eligibility requirements for the TANF federal grant program, resulting in known questioned costs of \$10,192. When projecting the known questioned costs to the population of questionable payments tested during the audit, we estimated likely questioned costs to be approximately \$86,000 and had to report an audit finding in accordance with 2 CFR § 200.516(a)(4) since the likely questioned costs projection exceeded \$25,000. The TANF federal grant program provided over \$89 million in assistance to approximately 25,000 needy families during fiscal year 2025. During the audit, we reperformed the eligibility determinations using the information from Social Services' case management system for all needy families that received assistance during the fiscal year and identified the following 27 instances (<1%) where the eligibility determination was not supported by facts in the recipient's case record:

- For 19 payments, Social Services did not properly evaluate whether individuals were already counted as eligible for TANF benefits under an existing case, which allowed these individuals to receive multiple benefit payments exceeding the Standards of Assistance and maximum program benefit amounts. Title 42 United States Code (USC) § 604(a)(1) mandates that a State may use the grant in any manner that is reasonably calculated to accomplish the purpose of TANF where Social Services' reasonable calculation is defined by its Standard of Assistance and maximum program benefit amounts within its TANF Program Manual.
- For four payments, Social Services did not verify that the individual assigned the rights that they may have to child support to the state. As a result, these amounts were not excluded from the individual's countable income and they were underpaid TANF benefits. Title 42 USC § 608(a)(3) mandates that the State shall require, as a condition of providing assistance, recipients to assign their rights to support from any other person (e.g. child support), not to exceed the amount of assistance provided by the State.
- For two payments, Social Services did not properly reduce or terminate assistance for individuals not complying with their individual responsibility plan for the TANF program. Title 45 CFR § 261.13 mandates that if an individual fails without good cause to comply with an individual responsibility plan that he or she has signed, the State may reduce the amount of assistance otherwise payable to the family, by whatever amount it considers appropriate.
- For one payment, Social Services did not properly evaluate the age criteria for an individual, resulting in an overpayment due to the individual not meeting the definition of a minor child as defined in Title 45 CFR § 260.30.
- For one payment, Social Services did not properly reduce or terminate TANF assistance to a head-of-household that received federal assistance for over 60 months. Title 45 CFR 264.1 mandates that states may not use any of its federal TANF funds to provide assistance to a family that includes an adult head-of-household or a spouse of the head-of-household who has received federal assistance for a total of five years, or 60 cumulative months (whether or not consecutive).

Social Services relies on its case management system to properly determine eligibility, correctly calculate benefit payments, and achieve the federal requirements of the TANF federal grant program. Of the exceptions noted above, four of the 27 (15%) were the result of local Department of Social Services eligibility workers mistakenly reporting child support payments as unearned revenue beyond the acceptable timeframe instead of assigning these payments to the Commonwealth for referral to the Division of Child Support Enforcement, as required by the USC. The remaining 23 exceptions (85%) resulted from local Department of Social Services eligibility workers not including sufficient documentation to justify the rationale for their eligibility determinations. Social Services did not identify these exceptions because it did not have a mechanism to identify risky transactions in its case management system that deviate from Social Services' policies and procedures and warrant further follow-up. Non-compliance with these provisions increases Social Services' risk of incurring disallowed costs and having to repay grant funds to the federal government.

Social Services should continue to provide additional training for local Department of Social Services eligibility workers on how to properly determine and document eligibility determinations in its case management system. Additionally, Social Services should continue to develop and implement a data-driven approach to monitor and analyze data from its case management system to identify risky transactions that deviate from Social Services' policies and procedures. By providing additional training and developing and implementing risk-based data analytics, Social Services will be able to ensure that each decision in its case management system regarding eligibility is supported by the facts in the applicant's or recipient's case record and complies with federal requirements.

### **Monitor Case Management System Records to Ensure Compliance with CCDF Eligibility Requirements**

**Type:** Internal Control and Compliance

**Severity:** Deficiency

Social Services did not comply with certain federal eligibility requirements for the CCDF Cluster, resulting in known questioned costs of \$218. When projecting the known questioned costs to the population of questionable payments tested during the audit, we estimated likely questioned costs to be approximately \$2.2 million and had to report an audit finding in accordance with 2 CFR § 200.516(a)(4) since the likely questioned costs projection exceeded \$25,000. The CCDF Cluster served over 33,000 needy families in the Commonwealth during fiscal year 2025 and Social Services authorized and disbursed over \$428 million in subsidy payments during this timeframe. During the audit, we re-performed eligibility determinations, using the information from Social Services' case management system, for all needy families that received assistance during fiscal year 2025 and identified five instances (<1%) where Social Services did not discontinue benefits when the period of eligibility expired.

Social Services relies on its case management system to properly determine eligibility and achieve the federal requirements of the CCDF Cluster. Social Services did not identify these exceptions because it did not have a mechanism to identify potentially ineligible payments where benefits continued past their redetermination review due date without eligibility workers completing an eligibility redetermination.

Title 45 CFR 98.21(a)(1) mandates that a lead agency shall periodically redetermine a child's eligibility for child care services. Further, Virginia's Child Care Subsidy Program Manual requires an eligibility redetermination at the end of the annual eligibility period and approval or denial of the application by a child care worker by the last day of the redetermination month, as long as the recipient has been given at least 10 days to provide all required verifications. Noncompliance with these provisions increases the Commonwealth's risk of incurring ineligible costs.

Social Services should provide additional training to eligibility workers to properly determine and document child care eligibility redeterminations in its case management system in accordance with Virginia's Child Care Subsidy Program Manual. Additionally, Social Services should consider developing a mechanism, using the data in its case management system, to identify instances where benefits continue past their respective redetermination review due date without eligibility workers completing eligibility redetermination.



# Commonwealth of Virginia

*Auditor of Public Accounts*

Staci A. Henshaw, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

December 15, 2025

The Honorable Glenn Youngkin  
Governor of Virginia

Joint Legislative Audit  
and Review Commission

Janet Kelly  
Secretary of Health and Human Resources

Kevin Erskine  
Commissioner, Department of Social Services

We have audited the financial records, operations, and federal compliance of the **Department of Social Services** (Social Services), including federal programs as defined in the Audit Scope and Methodology section below, 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 Social Services' 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, Social Services' financial systems, and supplemental information and attachments submitted to the Department of Accounts (Accounts); reviewed the adequacy of Social Services' internal control; tested for compliance with applicable laws, regulations, contracts, and grant agreements; and reviewed corrective actions with respect to audit findings from prior reports.

## **Audit Scope and Methodology**

Social Services' 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 and significant cycles, classes of transactions, and account balances:

Budgeting and cost allocation

Child Support Enforcement assets, additions, and deletions

Commonwealth's retirement benefits system

Contract procurement and management

General Fund expenses

Federal revenues, expenses, and compliance for the following federal grant programs:

- Adoption Assistance
- CCDF Cluster
- Foster Care Title IV-E
- MaryLee Allen Promoting Safe and Stable Families Program
- Medicaid Cluster
- Social Services Block Grant
- SNAP Cluster
- Summer Electronic Benefit Transfer Program for Children
- Temporary Assistance for Needy Families

Financial reporting

Human resources

Information system security (including access controls)

We performed audit tests to determine whether Social Services' 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 Social Services' 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. However, as described in the section titled “Internal Control and Compliance Findings and Recommendations,” we identified certain deficiencies in internal control that we consider to be material weaknesses and 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. We consider the deficiencies titled “Perform Responsibilities Outlined in the Agency Monitoring Plan,” and “Implement Internal Controls over TANF Federal Performance Reporting,” which are described in the section titled “Internal Control and Compliance Findings and Recommendations,” to be material weaknesses.

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. We have identified 19 findings, which are described in the section titled “Internal Control and Compliance Findings and Recommendations,” to be significant deficiencies.

In addition to the material weaknesses and significant deficiencies, we detected deficiencies in internal control that are not significant to the Commonwealth’s Annual Comprehensive Financial Report and Single Audit but are of sufficient importance to warrant the attention of those charged with governance. We have explicitly identified three findings in the section titled “Internal Control and Compliance Findings and Recommendations” as deficiencies.

## **Conclusions**

We found that Social Services properly stated, in all material respects, the amounts recorded and reported in the Commonwealth’s accounting and financial reporting system, Social Services’ financial systems, and supplemental information and attachments submitted to 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.” Additionally, as stated in the audit finding titled “Implement Internal Controls over TANF Performance Reporting,” which is described in the section titled “Internal Control and Compliance Findings and Recommendations,” Social Services did not materially comply with one of the federal reporting requirements for the TANF federal grant program. As a result, we issued a qualified

opinion over the reporting compliance requirement for the TANF federal grant program, as described in 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 is included in the Commonwealth’s Single Audit Report for the year ended June 30, 2025. Outside of this instance of material noncompliance, Social Services complied in all material respects with all other compliance requirements that could have a direct and material effect on the TANF federal grant program for the year ended June 30, 2025.

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

Since the findings noted above include those that have been identified as material weaknesses or 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 discussed this report with management at an exit conference held on January 12, 2026. [Government Auditing Standards](#) require the auditor to perform limited procedures on Social Services’ response to the findings identified in our audit, which is included in the accompanying section titled “Agency Response.” Social Services’ 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

MAS/vks

## FINDINGS SUMMARY

Finding Title	Status of Corrective Action*	Fiscal Year First Reported
Monitor Internal Controls to Ensure Timely Removal of System Access	Complete	2018
Continue Improving IT Change and Configuration Management Process	Complete	2019
Improve Documentation for Separation of Duty Conflicts	Complete	2022
Perform Annual Review of Case Management System Access	Complete	2023
Obtain Reasonable Assurance over Contractor Compliance with Program Regulations	Complete	2023
Implement Internal Controls over TANF Federal Special Reporting	Complete	2023
Develop and Provide Role-Based Security Awareness Training to System Administrators and Data Custodians	Complete	2024
Ensure Subaward Agreements Meet Federal Regulations	Complete	2024
Perform Responsibilities Outlined in the Agency Monitoring Plan	Ongoing	2018
Implement Internal Controls over TANF Federal Performance Reporting	Ongoing	2022
Improve Information Security Program and IT Governance	Ongoing	2022
Continue Improving IT Risk Management Program	Ongoing	2018
Continue Developing Record Retention Requirements and Processes for Electronic Records	Ongoing	2018
Improve Web Application Security	Ongoing	2019
Upgrade End-of-Life Technology	Ongoing	2022
Conduct Information Technology Security Audits	Ongoing	2023
Evaluate Separation of Duty Conflicts within the Case Management System	Ongoing	2023
Improve Database Security	Ongoing	2025
Improve Change Management Process	Ongoing	2025
Improve Identity and Access Management Oversight and Controls	Ongoing	2025
Identify and Assign Security Roles for Each Sensitive IT System	Ongoing	2025
Review Non-Locality Subrecipient Single Audit Reports	Ongoing	2018
Evaluate Subrecipients' Risk of Noncompliance in Accordance with Federal Regulations	Ongoing	2021
Confirm Monitoring Activities are Conducted in Accordance with the Monitoring Plan	Ongoing	2022
Strengthen Internal Controls over FFATA Reporting	Ongoing	2022
Obtain, Review, and Document System and Organization Control Reports of Third-Party Service Providers	Ongoing	2021
Perform Analysis to Identify Service Provider Agencies That Perform Significant Fiscal Processes	Ongoing	2022
Strengthen Internal Controls Over Financial System Reconciliations	Ongoing	2025
Reconcile the Commonwealth's Retirement Benefits System	Ongoing	2022

Finding Title	Status of Corrective Action*	Fiscal Year First Reported
Monitor Timely Entry of Employee Separations into the Commonwealth’s Human Resource and Payroll Management System	Ongoing	2025
Monitor Case Management System Records to Ensure Compliance with TANF Eligibility Requirements	Ongoing	2023
Monitor Case Management System Records to Ensure Compliance with CCDF Eligibility Requirements	Ongoing	2025
Implement Internal Controls over LIHEAP Federal Special Reporting**	Ongoing	2024
Monitor Case Management System Records to Ensure Compliance with LIHEAP Eligibility Requirements**	Ongoing	2024

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

\*\* These audit findings originated from the fiscal year 2024 audit of the Low-Income Home Energy Assistance (LIHEAP) federal grant program. This federal grant program is out of scope for the Commonwealth’s 2025 Single Audit, and as such, we limited our audit procedures to confirming the accuracy of the corrective action statuses in the Commonwealth’s Summary Schedule of Prior Audit Findings. Per inquiry with Social Services’ management, we determined that corrective action was ongoing for these audit findings as of June 30, 2025.



COMMONWEALTH of VIRGINIA  
DEPARTMENT OF SOCIAL SERVICES  
*Office of the Commissioner*

Kevin Erskine  
Commissioner

January 6, 2026

Auditor of Public Accounts  
Virginia Department of Social Services  
5600 Cox Road  
Glen Allen, Virginia 23060

Dear Ms. Henshaw:

The Virginia Department of Social Services concurs with the audit findings included in the 2025 review conducted by the Auditor of Public Accounts.

Should you require additional information, please do not hesitate to contact John Vosper via email at [john.vosper@dss.virginia.gov](mailto:john.vosper@dss.virginia.gov) or by telephone at 703-244-8693.

Sincerely,

A handwritten signature in black ink that reads "Kevin Erskine" with a horizontal line extending to the right.

Kevin Erskine