



DEPARTMENT OF AGRICULTURE
AND CONSUMER SERVICES
CHILD NUTRITION AND FOOD DISTRIBUTION
CLUSTERS OF FEDERAL GRANT PROGRAMS

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2025

Auditor of Public Accounts
Staci A. Henshaw, CPA
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AUDIT SUMMARY

Our audit of the Child Nutrition Cluster and Food Distribution Cluster, administered by the Virginia Department of Agriculture and Consumer Services (Agriculture), 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 financial reporting system, the United States Department of Agriculture's (USDA) inventory tracking system, and attachments submitted to the Department of Accounts (Accounts); and
- one matter involving internal control and its operation requiring management's attention that also represents an instance of noncompliance with applicable laws and regulations that is required to be reported under Government Auditing Standards; however, we do not consider the matter to be a material weakness.

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

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INTERNAL CONTROL AND COMPLIANCE FINDING AND RECOMMENDATION

Ensure Subrecipients are not Suspended or Debarred

Type: Internal Control and Compliance

Severity: Significant Deficiency

During the annual subaward agreement renewal process, the Virginia Department of Agriculture and Consumer Services (Agriculture) did not verify its subrecipients for the Food Distribution federal grant program were not suspended or debarred. Although Agriculture maintains comprehensive signed agreements and communicates grant award provisions to subrecipients, it did not comply with any of the three verification methods prescribed in Title 2 of the Code of Federal Regulations (CFR) § 180.300.

Title 2 CFR § 180.200 defines covered transactions to include contracts for goods and services awarded in a non-procurement transaction and requires a nonfederal entity to verify parties at the next lower tier are not excluded or disqualified before entering such transactions. Title 2 CFR § 180.300 permits nonfederal entities to meet this requirement by (a) reviewing exclusions in the System for Award Management (SAM), (b) obtaining a certification from the subrecipient, or (c) including a clause or condition in the covered transaction addressing suspension and debarment. Although Agriculture was aware of these requirements, it did not formalize suspension and debarment verification procedures within its subaward guidance or agreement documents and, as a result, did not perform the required verification during the annual renewal process. Consequently, Agriculture increases the risk of entering covered transactions with suspended or debarred parties.

Agriculture should update its grant award guidance and related subaward documents to ensure it verifies suspension and debarment status during the annual subaward agreement renewal process. In addition, management should implement oversight controls to ensure the sub-awarding process consistently complies with the requirements of Title 2 CFR Part 180.



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

February 6, 2026

The Honorable Abigail Spanberger
Governor of Virginia

Joint Legislative Audit
and Review Commission

Katie Frazier
Secretary Agriculture and Forestry

Charles Green
Virginia Department of Agriculture and Consumer Services, Commissioner

We have audited the financial records and operations of the Child Nutrition Cluster and Food Distribution Cluster federal grant programs, administered by the **Virginia Department of Agriculture and Consumer Services** (Agriculture), 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 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 primary objective was to audit the Child Nutrition Cluster and Food Distribution Cluster federal grant programs 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, the United States Department of Agriculture's (USDA) inventory tracking system, and attachments submitted to the Department of Accounts (Accounts). We reviewed the adequacy of Agriculture's internal controls over compliance with applicable laws, regulations, contracts, and grant agreements.

Audit Scope and Methodology

Agriculture’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 Child Nutrition Cluster and Food Distribution Cluster federal grant programs.

We performed audit tests to determine whether Agriculture’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 Agriculture’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 compliance was for the limited purpose described in the section “Audit Objectives” and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did identify a deficiency in internal control titled “Ensure Subrecipients are not Suspended or Debarred,” which is described in the section titled “Internal Control and Compliance Finding and Recommendations” that we consider to be a significant deficiency.

A deficiency in internal control over compliance 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, 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 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 over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Conclusions

We found that Agriculture properly stated, in all material respects, the amounts recorded and reported in the Commonwealth’s accounting and financial reporting system, the USDA’s inventory tracking system, and attachments submitted to Accounts.

We noted one matter involving internal control and its operation and compliance with applicable laws, regulations, contracts, and grant agreements that requires management’s attention and corrective action. This matter is described in the section titled “Internal Control and Compliance Finding and Recommendation.”

Since the finding noted above has been identified as a significant deficiency, it will be reported as such 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 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 in February 2026.

Exit Conference and Report Distribution

We provided management with a draft of this report on February 6, 2026. 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

SDB/clj

FINDINGS SUMMARY

Finding Title	Status of Corrective Action*	First Reported for Fiscal Year
Ensure Subrecipients are not Suspended or Debarred	Ongoing	2025

* A status of **Ongoing** indicates a new and/or existing finding that requires management's corrective action as of fiscal year end



COMMONWEALTH of VIRGINIA

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February 10, 2026

Staci Henshaw, CPA
Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Dear Ms. Henshaw,

The Virginia Department of Agriculture and Consumer Services (VDACS) has reviewed the audit summary of the Child Nutrition Cluster and Food Distribution Cluster as administered by the APA. The Agency accepts the Auditor of Public Accounts audit results. VDACS very much appreciates the efforts and professionalism of your staff during the review process.

One matter noted during the audit involved an internal control and compliance finding. Specifically, during the annual subaward agreement renewal process, VDACS did not verify that its subrecipients for the Food Distribution federal grant program were not suspended or debarred.

VDACS has addressed this finding by checking all subrecipients through the System for Award Management (SAM) as defined through Title 2 CFR 180.300. Additionally, VDACS will be revising applicable policies to ensure that future checks are completed accordingly to meet corrective actions as required by the Department of Accounts in Topic 10205.

Please let me know if you have any questions or need any additional information.

Sincerely,

A handwritten signature in blue ink, appearing to read "CR Green".

Charles R. Green
Commissioner

cc: W. Dewey Jennings, Ph.D.
Director of Administrative and Financial Services

-Equal Opportunity Employer-