



DEPARTMENT OF EDUCATION
INCLUDING
DIRECT AID TO PUBLIC EDUCATION

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2022

Auditor of Public Accounts
Staci A. Henshaw, CPA

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AUDIT SUMMARY

Our audit of the Department of Education and Direct Aid to Public Education; collectively referred to as “Education” throughout this report, for the fiscal year ended June 30, 2022, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth’s accounting and financial reporting system, Education’s financial system, and in attachments submitted to the Department of Accounts;
- a matter involving internal control and its operation necessary to bring to management’s attention;
- an instance of noncompliance with applicable laws and regulations or other matters that is required to be reported; and,
- three issues that are beyond the corrective action of Education’s management and require the cooperation of the Virginia Information Technologies Agency (VITA) to address the risks, which we report as “Risk Alerts.”

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INTERNAL CONTROL AND COMPLIANCE FINDING AND RECOMMENDATION

Why the Auditor of Public Accounts Audits Federal Reports

When Education accepts the terms and conditions of awards for federal funding, it agrees to report certain information to the federal government. In addition, the federal government makes selected reports it receives from Education subject to audit as part of the Commonwealth's Single Audit. To fulfill this federal audit requirement, we tested reports as described in the U.S. Office of Management and Budget's 2022 Compliance Supplement.

Ensure the Correct Award Year is Applied to Federal Reports

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Education included an incorrect award year to the federal government in its required Federal Funding Accountability and Transparency Act (FFATA) reporting. Specifically, since 2020, Education submitted information with the award year 2020, which made it appear that it made 846 subawards totaling \$1.5 billion for its fiscal year 2020 Title I award. However, annually, Education only receives around \$250 million in Title I funding and makes around 135 subawards.

Title 2 U.S. Code of Federal Regulations Part 170 Appendix A, which the U.S. Department of Education included in the terms of the award for Title I, requires Education to report each obligating action exceeding \$30,000 to the FFATA Subrecipient Reporting System. The incorrect submission by Education results in USASpending.gov reporting inaccurate information, which may cause users of this website to make improper conclusions about Education's Title I subawards.

The manager's review of Education's FFATA submission did not detect that after 2020, subsequent Title I subaward information appended to the 2020 award. Education's management should ensure that it has an effective review of its future FFATA submissions and work with the federal government to determine if it can correct the award year in prior submissions.

What is a Risk Alert

During the course of our audit, we encountered internal control and compliance issues that are beyond the corrective action of Education's management alone and require the action and cooperation of VITA's management. The following issues represent such a risk to Education and the Commonwealth during fiscal year 2022.

RISK ALERTS

Unpatched Software

Repeat: Yes (first issued for fiscal year 2019)

VITA contracts with various information technology (IT) service providers to create the Commonwealth's Information Technology Infrastructure Services Program (ITISP) to provide agencies with installation, maintenance, operation, and support of IT infrastructure components, such as servers, routers, firewalls, and virtual private networks. Education continues to rely on contractors procured by VITA for the installation of security patches in systems that support Education's operations. Additionally, Education relies on VITA as the contract administrator to maintain oversight and enforce the contract agreements with the ITISP contractors. As of October 2022, the ITISP contractors had not applied a significant number of security patches that are at least 90 days past their release, critical, and highly important to Education's IT infrastructure components.

The Commonwealth's Information Security Standard, SEC 501 (Security Standard), requires the installation of security-relevant software updates within 90 days of release. The Security Standard does allow for varying time periods depending on factors such as the criticality of the update, but generally the ITISP uses a 90-day window from the date of release as its standard for determining timely implementation of security patches (*Security Standard section: SI-2 Flaw Remediation*). Missing system security updates increase the risk of a successful cyberattack, exploitation, and data breach by malicious parties.

While VITA is responsible for enforcing the service level agreement, it has not been able to compel the current ITISP contractors to install certain security patches to Education's IT infrastructure components to remediate vulnerabilities in a timely manner or taken actions to obtain these required services from another source. Education is working with VITA and the ITISP contractors to ensure that the ITISP contractors install all critical and highly important security patches on all servers. Additionally, our separate audit of VITA's contract management will continue to report on this issue.

Access to Audit Log Monitoring Tool

Repeat: Yes (first issued for fiscal year 2020)

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

While VITA did not originally enforce the deliverable requirement when ratifying the ITISP contracts in 2018, over the last three years VITA has attempted to compel the ITISP contractor to grant agencies access to the monitoring tool and audit log information. However, as of September 2022, VITA and the ITISP contractor have not been able to grant access to individual agencies due to delays in configuring a new centralized monitoring tool that is replacing the original product. VITA is overseeing the ITISP contractor's current efforts to implement a new system to grant Education access to monitor audit log information. VITA estimates that Education will have limited access to the monitoring tool by the end of the 2022 calendar year and has not developed an estimated delivery date for other expected features.

The Security Standard requires a review and analysis of audit records at least every 30 days for indications of inappropriate or unusual activity (*Security Standard: Section AU-6 Audit Review, Analysis, and Reporting*). VITA not being able to enforce the deliverable requirements from the ITISP contractor increases the risk associated with the Commonwealth's data confidentiality, integrity, and availability due to Education's inability to review logged activity.

Education is working with VITA and the ITISP contractor to obtain access to the audit log information within the centralized monitoring tool to ensure Education can review the activities occurring in its IT environment in accordance with the Security Standard. Additionally, our separate audit of VITA's contract management will continue to report on this issue.

Timely Security Audits

Repeat: No

Education contracts with VITA for its auditing service to perform IT security audits over Education's sensitive systems. Under the contract, VITA is to conduct IT security audits in compliance with the Commonwealth's IT Security Audit Standard, SEC 502 (Security Audit Standard), which includes conducting audits to measure compliance with applicable Commonwealth security standards within three years from the last audit completion date. Based on a review of Education's IT audit plan and VITA's completion of Education's security audits, VITA did not perform the audits within three years (Security Audit Standard, Section 2.1 Planning for IT Security Audits).

VITA not performing IT security audits over Education's sensitive systems once every three years increases the risk for undetected vulnerabilities, threats, and system misconfigurations and delays

Education from taking remediating actions. Untimely audits also increase the risk of malicious users exploiting vulnerabilities to possibly compromise Education's sensitive information and potentially causing systems to become unavailable.

Education originally contracted for VITA's auditing service in 2017 and VITA performed security audits between calendar years 2018 and 2019. However, due to staffing constraints and VITA's policy change to perform all system security audits for an agency during the same year, VITA did not conduct Education's audits within three years from the completion date of its last IT security audits.

Education is working with VITA to ensure VITA completes the security audits within the required interval, which will assist Education in identifying and remediating system vulnerabilities in a timely manner and reduce risks to Education's IT environment. Additionally, our separate audit of VITA will report on this issue.



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 15, 2022

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

We have audited the financial records, operations, and federal compliance of the **Department of Education including Direct Aid to Public Education (Education)** for the year ended June 30, 2022. We conducted this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, in support of the Commonwealth's Annual Comprehensive Financial Report and Single Audit. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objective was to evaluate the accuracy of Education's financial transactions as reported in the Annual Comprehensive Financial Report for the Commonwealth of Virginia and test federal compliance in support of the Commonwealth's Single Audit for the year ended June 30, 2022. In support of this objective, we evaluated the accuracy of recorded financial transactions in the Commonwealth's accounting and financial reporting system, Education's financial system, and attachments submitted to the Department of Accounts (Accounts); reviewed the adequacy of Education's internal control; tested for compliance with applicable laws, regulations, contracts, and grant agreements; and reviewed actions with respect to the risk alerts from the prior year report.

Audit Scope and Methodology

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

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

Federal grants management for the following programs:

- Child Care and Development Fund Cluster – Assistance Listing Number (ALN): 93.575 and 93.596
- Child Nutrition Cluster – ALN: 10.553, 10.555, 10.556, 10.559, and 10.582
- Education Stabilization Fund – ALN: 84.425
- Special Education Cluster (IDEA) – ALN: 84.027 and 84.173
- Title I, Part A – ALN: 84.010

Standards of Quality allocations and disbursements to localities

Appropriations

Accounts receivable

Accounts payable

Information system security to include:

- Database security
- IT security awareness and training
- IT risk management and contingency planning
- VITA/ITISP services

We performed audit tests to determine whether Education’s controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of system access, documents, records, journal entries, grant agreements, and contracts, and observation of Education’s operations. We performed analytical procedures, including trend and appropriation analysis. We also tested details of transactions, along with reconciliations of financial, accounting, and management systems to achieve our audit objectives.

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

Our consideration of internal control over financial reporting and federal compliance (internal control) was for the limited purpose described in the section “Audit Objectives” and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control titled Ensure the Correct Award Year is Applied to Federal Reports, which is described in the section titled “Internal Control and Compliance Finding and Recommendation,” that we consider to be a significant deficiency.

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

Conclusions

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

We noted a 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, 2022. The Single Audit Report will be available at www.apa.virginia.gov in February 2023.

Additionally, we encountered issues that are beyond the corrective action of Education’s management alone and require the action and cooperation of management and the Virginia Information Technologies Agency (VITA). These issues are described in the section titled “Risk Alerts.”

While Education has performed its due diligence with respect to the previously reported risk alerts with current titles of “Unpatched Software” and “No Access to Audit Log Monitoring Tool,” VITA

is responsible for final mitigation efforts. Accordingly, we included updates on these issues in the section entitled “Risk Alerts.”

Exit Conference and Report Distribution

We discussed this report with Education’s management at an exit conference held on January 24, 2023. Government Auditing Standards require the auditor to perform limited procedures on Education’s response to the findings identified in our audit, which is included in the accompanying section titled “Agency Response.” Education’s response was not subjected to the other auditing procedures applied in the audit and, accordingly, we express no opinion on the response.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

GDS/clj



COMMONWEALTH of VIRGINIA

Jillian Balow
Superintendent of Public Instruction

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January 19, 2023

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

Dear Ms. Henshaw:

I appreciate the opportunity to respond to the findings of the audit completed by the Auditor of Public Accounts of the Department of Education (DOE) and Direct Aid to Public Education, for the fiscal year ended June 30, 2022. I am pleased that the audit found that the Department properly recorded and reported all transactions, in all material respects, in the Commonwealth's financial reporting system. The audit did note a finding involving internal control regarding Federal Funding Accountability and Transparency Act (FFATA) monthly reporting. DOE staff are actively working to remediate this issue to ensure that monthly FFATA reporting is completed accurately and timely.

Regarding the *Risk Alert – Unpatched Software*, agency management recognizes that there is a risk associated with software that has not been patched by the Virginia Information Technologies Agency (VITA). This risk will be mitigated now that major DOE technology systems have been migrated to the cloud and the system freeze has been lifted. Furthermore, DOE has technical staff dedicated to monitoring the patching, as well as ensuring service tickets to VITA are completed in a timely manner.

Regarding the *Risk Alert – Access to Audit Log Monitoring*, DOE is working with VITA to implement its new log monitoring tool. The previous product that was offered did not provide the agency a granular view into the DOE technology environment. If the new solution being offered by VITA does not provide the necessary information, DOE will purchase a separate log monitoring tool.

Regarding the *Risk Alert – Timely Security Audits*, agency management recognizes the concerns outlined in the audit report. DOE had been seeking technology security audit services from VITA for more than a year before it was due. VITA did not have an auditing process in place to conduct the three-year audit by the required due date. The required audit, however, has now been completed. DOE will continue to work with VITA to ensure VITA completes the required security audit within the required three-year cycle, which will assist DOE in identifying and

Ms. Staci Henshaw
January 19, 2023
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remediating system vulnerabilities in a timely manner and **reduce risks to DOE's technology environment.**

Thank you for the opportunity to provide an agency response to the fiscal year 2022 audit report. The Department of Education has made great strides to improve the work that is conducted within the agency over the course of the past year and is committed to focusing on the very important findings and recommendations identified as needing attention.

Sincerely,

Jillian Balow

Digitally signed by Jillian Balow
Date: 2023.01.20 15:59:18 -05'00'

Jillian Balow
Superintendent of Public Instruction

JB/as

DEPARTMENT OF EDUCATION

As of June 30, 2022

AGENCY OFFICIAL

Jillian Balow
State Superintendent of Public Instruction