



VIRGINIA EMPLOYMENT COMMISSION

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2020

Auditor of Public Accounts
Staci A. Henshaw, CPA

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AUDIT SUMMARY

Our audit of the Virginia Employment Commission (Commission) for the fiscal year ended June 30, 2020, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's accounting and financial reporting system; the Commission's benefits, tax, and financial systems; and in the supplemental information and attachments submitted to the Department of Accounts,
- five findings involving internal control and its operation necessary to bring to management's attention, one of which is considered to be a material weakness; and
- four of the five findings are also considered to be instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

We found that the Commission has taken adequate corrective action to resolve the audit finding and recommendation reported in the prior year. This report also contains information regarding the operations and financial activities of the Commission.

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Comply with Federal RESEA Requirements

Type: Internal Control and Compliance

Severity: Material Weakness

Repeat: No

The Commission was unable to comply with all the requirements for operation of their federally mandated Reemployment Services and Eligibility Assessment (RESEA) program. For the period from March 16, 2020 through June 30, 2020, the Commission did not schedule any new RESEA appointments or program activities with claimants. While the Commission communicated the temporary suspension to the United States Department of Labor (Labor), they did not receive proper approval to suspend the program. The Commission could not operate the program as required during the pandemic and subsequent statewide shutdown as they needed to focus on processing claims quickly and providing the unemployed with needed financial assistance.

Section 306(b) of the Social Security Act requires all states to operate either a Worker Profiling and Reemployment Services Program (WPRS) or a RESEA program, or both. The requirements include profiling of all claimants to determine who will likely exhaust their benefits and need reemployment services to transition to new employment. If operating only a RESEA program, the Commission must include the basic elements of the WPRS program which includes the required WPRS profiling model and statewide provision of services. With the onset of the COVID-19 pandemic, Labor provided guidance under several Unemployment Insurance Program Letters (UIPL) for ongoing services to include virtual person-to-person technologies. They also communicated that the level and timeliness of remote service must be comparable to assistance the individual would receive if staff were assisting such individual in-person.

Failure to actively operate the RESEA program can place future federal program funding in jeopardy. In addition, as the current RESEA program does not include all required WPRS components, the Commission could be required to operate two reemployment programs. Finally, failure to provide reemployment services to claimants can seriously diminish the ability of claimants to obtain new employment; thereby prolonging the exponential rise in unemployment. The Commission should take steps to restart the program and ensure it complies with Federal regulations. While current conditions make it unsafe to meet with claimants in person, they should, at a minimum, institute telephone contact and other virtual platforms to meet with profiled claimants.

Submit Required Reports Timely

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The Commission did not submit Employment and Training Administration (ETA) Reports by their required deadlines. Late reporting occurred for 25 to 50 percent of reports.

Labor Handbooks 336 and 401 require specific filing dates for all reports. These reports provide information to Labor, which is used to measure the effectiveness of various programs. According to the grant agreement between the Commission and Labor, the Commission should submit its required reports to Labor in a timely manner and in accordance with the Unemployment Insurance Reports Handbooks. In addition, communication from Labor in their quarterly performance letter for June 30, 2020, the Chief Workforce Development Officer indicated concerns over continued late report filing. Failure to submit reports timely, may cause delays in funding from Labor, or suspension of funds needed for ongoing Commission operations. In addition, continued delays could result in additional Federal oversight.

The increased workload and need to focus on payments to claimants due to the onset of the COVID-19 pandemic caused delays in report preparation; however, management did not request an extension of time for filing from Labor. In addition, management did not provide proper oversight to ensure timely filings. The Commission should ensure that all reports are filed by the required due date. Internal policies and procedures should be updated for each required report to provide clear guidance for report submission and consequences for late filing.

Improve Information Technology Governance

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

The Commission should improve its strategic and managerial (tactical) information technology (IT) governance. Governance currently is performed in a siloed environment at the project management level. No framework for IT strategic governance exists. The Commission does have Internal Agency Oversight Committees to follow IT projects; however, there is no overarching IT Strategy Committee to evaluate and make informed enterprise-wide financial/IT decisions based on current and possible future agency mission needs. In addition, communication at the project management level requires improvement as the Information Security Officer was not formally informed of projects at the conceptual stage.

The Virginia Information Technologies Agency Enterprise Architecture Policy defines how agencies can achieve excellence in IT strategic governance. The value statement of that policy states that “agencies that embrace business driven architecture have a technology plan to guide their directions, choices, and investments. They also possess a framework allowing them to respond to business and IT trends.” Many other frameworks for IT governance exist such as Control Objectives for Information and Related Technologies (COBIT) 5 from the Information System Audit and Control Association. COBIT5 recognizes strategic alignment, value delivery, performance measurement, resource management, and risk management as key attributes to enterprise IT governance.

Since no framework or an IT Strategic Committee exists, internal stakeholders such as finance, human resources, IT security and other subject matter experts may not be able to provide inputs into short and long-term enterprise-wide strategic planning. New technology benefits and shortcomings may not be considered, and out-of-date technologies may persist. Portfolio management that considers

strengths, weakness, opportunities and threats will not happen. The opportunity to provide feedback from the end of a project to an Enterprise Committee may not allow for efficient and timely use of resources.

The Commission, due to reduced resources, has placed most of its IT governance into operational and project-oriented management. However, enterprise IT strategic planning and governance should be a priority goal of the Commission, including adoption of an enterprise IT governance framework (including strategic governance). In addition, the Commission should form an IT Strategic Committee composed of senior management and relevant functional areas to plan for future needs that can be met with limited resources. Improvements should be made to operational communications so that subject matter experts are included at project inception.

Properly Complete the Employment Eligibility Form

Type: Internal Control and Compliance

Severity: Deficiency

Repeat: No

The Commission did not complete the Employment Eligibility Verification (I-9) forms in accordance with guidance issued by the U.S. Citizenship and Immigration Services of the U.S. Department of Homeland Security. One of 25 (4%) employees tested did not sign Section 1 on the first day of employment and one of 25 (4%) employees tested did not properly complete Section 2 of the I-9 form.

The Immigration Reform and Control Act of 1986 requires that employers complete the I-9 form to verify both identity and employment eligibility for all employees. The U.S. Citizenship and Immigration Services set forth federal requirements for completing the I-9 form in the Handbook for Employers M-274 (Handbook). Chapter 3 of the Handbook requires the employee to complete and sign Section 1 of the I-9 form by the first date of employment. Chapter 4 of the Handbook requires the employer to complete Section 2 of the I-9 form within three business days of the first date of employment. Additionally, Chapter 4 requires the employer to match the employee information in Section 1 to Section 2 of the I-9 form. Noncompliance with federal regulations related to employment verification could result in civil and/or criminal penalties and debarment from government contracts.

These instances resulted from an oversight by the manager who completed the I-9 form. The Commission should ensure managers and those tasked with completing the I-9 form are properly trained in the processes for on-boarding employees and are aware of all requirements to complete these forms accurately. The Commission should also ensure policies and procedures are updated to communicate the I-9 form requirements to hiring managers.

Comply with Statutory Deduction Requirements

Type: Internal Control and Compliance

Severity: Deficiency

Repeat: No

The Commission did not comply with federal and state requirements for deductions from Pandemic Unemployment Assistance (PUA) payments, including federal income tax, child support, and treasury offset programs. Attachment 1 to Unemployment Insurance Policy Letter (UIPL) No. 16-20, Change 1, confirms that PUA benefits are subject to federal income taxation. Code of Virginia § 60.2-608 requires withholding of child support from any unemployment compensation paid to an individual. Finally, per Internal Revenue Service guidance, treasury offset programs (TOP) are required to continue to collect all certified delinquent nontax and state debts through TOP from all eligible payments. Code of Virginia § 2.2-4809 requires the State Treasurer to reduce any state payment by the amount of any federal debt submitted in accordance with the agreement authorized by 31 U.S.C. § 3716 for the collection of any debts owed to state agencies and pay such amount to the appropriate federal official in accordance with the procedures specified in such agreement.

Failure to deduct statutory payments increases the risk that the Commission may be required to repay these amounts from administrative funds in addition to being subject to sanctions and penalties. The Commission had to determine which guidance to follow with respect to deductions from PUA. Further, Labor required that the Commission provide PUA payments to claimants as quickly as possible. Staffing limitations coupled with the necessity to set up a new and separate system for PUA payments did not allow the additional time required to properly include the deduction calculations in the new system. The Commission should allocate the necessary resources to adjust the PUA system to enable deductions as ongoing PUA payments may be required.

COMMISSION BACKGROUND AND FINANCIAL HIGHLIGHTS

The Commission's mission is to promote economic growth and stability by delivering and coordinating workforce services that include policy development, job placement services, temporary income support, workforce information, and training services.

The Commission's primary source of funding for unemployment insurance benefits comes from unemployment taxes collected from employers. The Commission deposits these taxes into the Unemployment Insurance Trust Fund, which the United States Department of the Treasury maintains on behalf of state governments. The Commission also receives federal grants, which primarily fund administrative activities.

The Commission budgets its operational funding in two programs: Workforce Systems Services and Economic Development Services. As shown in Table 1 below, the Workforce Systems Services program is the Commission's primary program.

Budget and Actual Activity for Fiscal Year 2020

Table 1

Program and Service Area	Original Budget	Final Budget	Expenses
Workforce Systems Services	\$ 552,381,011	\$ 5,634,604,692	\$ 4,907,197,309
Economic Development Services	3,027,295	3,027,295	2,837,003
Total	\$ 555,408,306	\$ 5,637,631,987	\$4,910,034,312

Source: Commonwealth's Accounting and Financial Reporting System

Workforce Systems Services includes Job Placement Services, Unemployment Insurance Services, and Workforce Development Services. Unemployment Insurance Services makes up approximately 96 percent of the budget for Workforce Systems Services. The intent of this service area is to provide benefit payments to unemployed individuals. Between July 1, 2019, and March 15, 2020, the Commission provided unemployment insurance to over 105,000 unemployed individuals. Beginning in March 2020, with the onset of the COVID-19 pandemic, the Commission experienced numerous operational changes and challenging issues due to the unprecedented rise in unemployment and the necessity to quickly administer numerous federal programs.

Unemployment Insurance Services Program

Unemployment Benefits

Under the Unemployment Insurance Services program, the Commission makes benefit payments to unemployed individuals who lost their employment through no fault of their own. Unemployment benefit payments provide unemployed individuals with temporary financial assistance during the course of a job search.

Generally, the amount and length of benefits an individual is eligible for is based on wages that an individual earned while employed. The State's unemployment insurance program pays benefits for

up to 26 weeks. The Governor and the General Assembly have the ability to adjust unemployment benefit payments. These amounts have not changed significantly over the last several years, as shown in Table 2 below.

Weekly Unemployment Benefit Amounts

Table 2

Effective Dates	Minimum Benefit	Maximum Benefit
July 1, 2007 - July 5, 2008	\$54	\$363
July 6, 2008 - July 5, 2014	\$54	\$378
July 6, 2014 - Present	\$60	\$378

Source: Virginia Employment Commission website

With the onset of COVID-19 and resulting impact on businesses in the Commonwealth, this resulted in significant increases in applications for unemployment benefits. In addition, the Federal CARES Act was passed and included additional unemployment assistance: The four initial areas of the Act were:

- **Pandemic Unemployment Assistance (PUA)** providing for up to 39 weeks of benefits to individuals who are self-employed, seeking part-time employment, or otherwise would not qualify for regular unemployment compensation (UC) or extended benefits under state or federal law.
- **Pandemic Emergency Unemployment Compensation (PEUC)** providing for up to 13 weeks of benefits to individuals who exhausted regular UC under state or federal law.
- **Federal Pandemic Unemployment Compensation (FPUC)** providing all individuals who collected regular UC, PEUC, PUA, with an additional \$600 per week.
- **First Week** providing full reimbursement for the one-week waiting period of benefits paid out to workers plus the administrative expenses necessary for processing those payments.

In December 2020, Congress passed the “Continued Assistance to Unemployed Workers Act of 2020.” This act extended the provisions of PUA, PEUC, and FPUC (at a reduced rate of \$300 per week) until March 13, 2021.

Between March 16 and June 30, 2020, there were over 820,000 regular unemployment compensation claims filed and 100,000 PUA claims filed. For this same period, payments were made to over 620,000 regular unemployment claimants. Weekly claims made through the call center increased to over 530,000 compared to 28,000 calls received prior to March 16. Claims paid as of June 30, 2020, for regular unemployment and the new federal programs totaled almost \$4.9 billion. From March 16 through June 30, 2020, the Commission paid out nearly \$3.8 billion in unemployment insurance benefits. In addition, approximately \$820 million in claims were paid after fiscal year end for claims filed prior to June 30.

Table 3 shows benefit payments by type in fiscal years 2018, 2019, and 2020. The data below shows strictly the payments to recipients and does not include the administrative costs of the program, which are approximately \$48 million. These types of payments include mostly personnel expenses of the Commission and vendor payments.

Unemployment Benefit Payments by Type

Table 3

Type of Unemployment Benefit	2018	2019	2020
State Unemployment Insurance Benefits (non-stimulus)	\$ 315,758,719	\$ 274,488,521	\$ 1,164,141,567
State Unemployment Insurance Benefits (CARES Act)	-	-	3,677,221,162
Federal Unemployment Insurance Benefits	9,901,156	6,451,974	8,597,510
Federal Emergency Unemployment Insurance Benefits	(1,025,082)	(541,327)	(1,097,774)
Total	\$ 324,634,793	\$ 280,399,168	\$ 4,848,862,465

Source: Virginia Employment Commission financial system

Unemployment Taxes

The Commission pays unemployment insurance benefit payments from unemployment taxes collected from employers within the Commonwealth, if the employer meets certain criteria established in the Code of Virginia. The Commission classifies employers as one of two types: taxable or reimbursable. Taxable employers pay an unemployment tax to the Commission based on a set tax rate; while reimbursable employers reimburse the Commission dollar-for-dollar for the proportionate share of benefits paid. There are over 204,000 taxable employers and over 1,400 reimbursable employers in Virginia.

Under current law, employers pay taxes only on the first \$8,000 of each employee's wages. The Commission collects these taxes throughout the year, and transfers the amount collected to the trust fund maintained by the United States Department of Treasury.

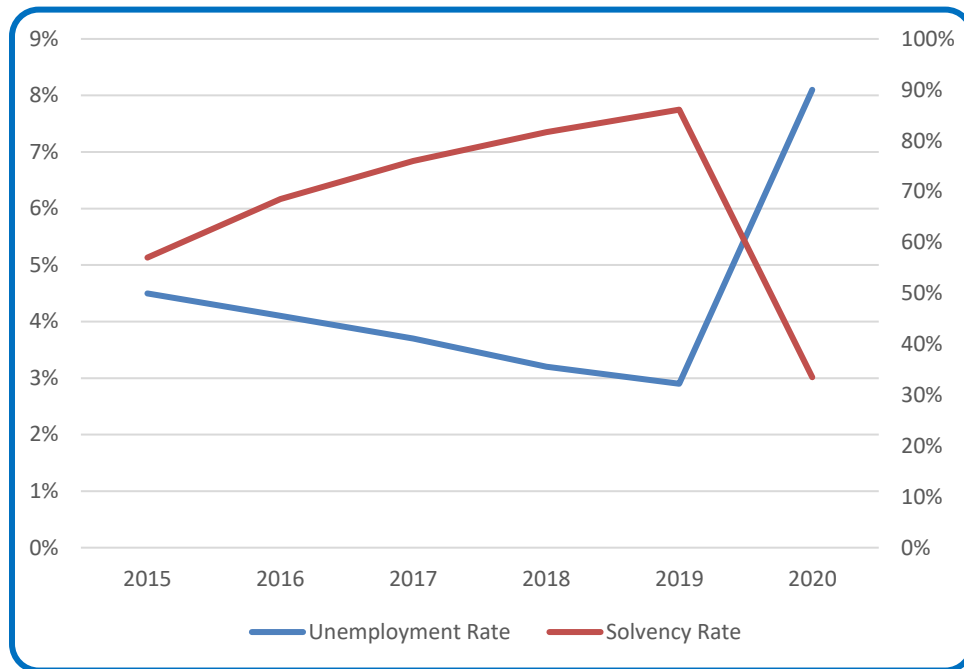
Trust Fund

Trust Fund solvency is an indicator of the Trust Fund's ability to pay benefits during periods of high unemployment. The solvency indicator compares the Trust Fund's actual balance to the calculated balance needed to pay unemployment benefits for 16.5 months. During periods of high unemployment, the solvency rate is low; however, the solvency rate is high during periods of low unemployment. Chart 1 below illustrates the correlation between unemployment rates and solvency levels for calendar years 2015 through 2020.

As would be expected, the Trust Fund solvency rate dropped substantially during fiscal year 2020. As indicated in Chart 1 below, the solvency level for 2020 has dipped to a low point not seen since the recession in 2010. This reduction in the solvency rate will significantly impact employer tax rates for calendar year 2021 and beyond depending on how long the current unemployment situation continues.

Unemployment vs. Solvency Rates by Fiscal Year

Chart 1

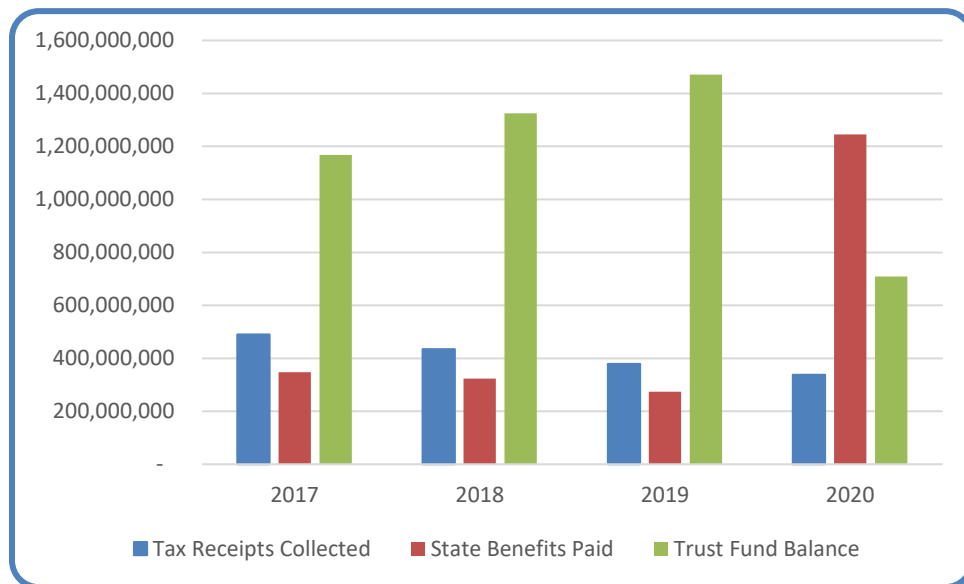


Source: Virginia Employment Commission financial system

Generally, during times of low unemployment, the Trust Fund builds up a balance to pay benefits during times of high unemployment. Chart 2 below shows the relationship between taxes collected, benefits paid, and the Trust Fund balance through fiscal year 2020. Prior to the pandemic, the Trust Fund balance increased because of the decreasing unemployment rate. Since the onset of the pandemic, the unemployment claims filed and paid since March 16 (close to 1.4 million), have significantly depleted the Trust Fund. The employer taxes paid have decreased as many businesses have temporarily shut down; operated with minimal staff; or closed altogether. The stark contrast of prior years to fiscal year 2020 indicates a substantial downward trend. There is no longer correlation between employer tax payments and benefits paid, causing the Trust Fund balance to decline significantly. Once the Trust Fund balance is fully depleted, the Commission will need to borrow Federal funds to pay regular unemployment claims. This will cause the Commission to incur additional expenses as these borrowed funds will continue to accrue interest at the current Treasury rate until paid. The Commission was able to maintain the Trust Fund balance through November 2020 but did require substantial borrowing in December.

Summary of Trust Fund Activity by Fiscal Year

Chart 2



Source: Virginia Employment Commission financial system

Trust Fund activity, specifically changes in the Trust Fund balance, can in turn affect future tax rates paid by employers. When the Trust Fund solvency remains at or above 100 percent, state law sets the lowest tax rate at zero. If the solvency rate falls below 100 percent, all eligible employers must pay unemployment tax. The tax rates imposed on employers considers the solvency rate as well as the employment histories of individual businesses. Generally, employers with a history of higher unemployment claims pay greater rates, while those with few claims pay less.

State law requires additional adjustments to the tax rate when Trust Fund solvency declines. The pool tax is an adjustment to the tax rate that represents a levy to recover benefits not chargeable to a specific employer, known as pool costs. When Trust Fund solvency exceeds 50 percent, the Commission subtracts interest income from pool costs. The Commission includes pool tax, within the employer's tax rate, when interest income does not cover pool costs. Additionally, state law requires a fund-building tax rate of 0.2 percent to employer tax rates if the Trust Fund solvency rate drops below 50 percent. The Commission did not impose this tax against employers during calendar year 2020 because the solvency rate exceeded 50 percent as of July 1, 2019, as illustrated in Chart 1 above.

The Commission establishes the tax rate for taxable employers on a calendar year basis annually. The following table details the various tax rate components in effect for calendar years 2017 through 2020. As shown in Table 4 below, the tax rates did not change through calendar year 2020; however, due to the reduced Trust Fund solvency levels during calendar year 2020, the employer tax rates are expected to increase for calendar year 2021.

Unemployment Tax Rates by Calendar Year

Table 4

	2017		2018		2019		2020	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Tax Rate	0.10%	6.20%	0.10%	6.20%	0.10%	6.20%	0.10%	6.20%
Pool Tax	0.03%	0.03%	0.01%	0.01%	0.01%	0.01%	0.00%	0.00%
Total	0.13%	6.23%	0.11%	6.21%	0.11%	6.21%	0.10%	6.20%

Source: Virginia Employment Commission tax system

Administrative Funding

One of the most challenging matters facing the Commission during the pandemic is administrative funding. Annually, Labor awards the Commission federal grants to administer the Unemployment Insurance program. The amount of the grant is determined based on a formula that considers factors such as unemployment rates, employment growth, and inflation measures. Therefore, as the economy has been strong over the past ten years, administrative funding is at an all-time low and the Commission is challenged in determining how to spread this funding over all regular operations and the newly required pandemic programs. It appears administrative funding should increase in fiscal year 2021; however, funding for operations in fiscal year 2020, continued at the lower rate causing significant operational challenges. This coupled with continuing staffing shortages has considerably challenged the Commission.



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

January 6, 2021

The Honorable Ralph S. Northam
Governor of Virginia

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

We have audited the financial records, operations, and federal compliance of the **Virginia Employment Commission (Commission)**, including the unemployment insurance federal program for the year ended June 30, 2020. We conducted this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, in support of the Commonwealth's Annual Financial Report and Single Audit. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objective was to evaluate the accuracy of Commission's financial transactions as reported in the Comprehensive Annual Financial Report for the Commonwealth of Virginia and test federal compliance in support of the Commonwealth's Single Audit for the year ended June 30, 2020. In support of this objective, we evaluated the accuracy of recorded financial transactions in the Commonwealth's accounting and financial reporting system, in the Commission's financial systems, and supplemental information and attachments submitted to the Department of Accounts (Accounts); reviewed the adequacy of the Commission's internal control; tested for compliance with applicable laws, regulations, contracts, and grant agreements; and reviewed corrective actions with respect to audit finding and recommendation from the prior year report.

Audit Scope and Methodology

The Commission'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 unemployment insurance federal grant program and the following significant cycles, classes of transactions, and account balances.

- Federal grant revenues and expenses
- Contractual services expenses
- Accounts payable
- Payroll expenses
- Appropriations
- Cash receipting and collections of accounts receivable
- Information system security

We performed audit tests to determine whether the Commission'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 the Commission's operations. We performed analytical procedures, including budgetary and trend analyses. We also tested details of transactions to achieve our objectives.

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

Our consideration of internal control over financial reporting and federal compliance (internal control) was for the limited purpose described in the section "Audit Objectives" and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the section entitled "Internal Control and Compliance Findings and Recommendations," we identified certain deficiencies in internal control that we consider to be a material weakness 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 deficiency entitled "Comply with Federal RESEA Requirements" which is described in the section titled "Internal Control and Compliance Findings and Recommendations," to be a material weakness.

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 consider the deficiencies entitled “Submit Required Reports Timely” and “Improve Information Technology Governance,” which are described in the section titled “Internal Control and Compliance Findings and Recommendations,” to be significant deficiencies.

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

Conclusions

We found that the Commission properly stated, in all material respects, the amounts recorded and reported in the Commonwealth’s accounting and financial reporting system, the Commission’s financial systems, and supplemental information and attachments submitted to the Department of Accounts.

The results for the Commonwealth’s Single Audit for the year ended June 30, 2020, are contained in a separate report, which will be available on our website at www.apa.virginia.gov in February 2021.

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 entitled “Internal Control and Compliance Findings and Recommendations.”

The Commission has taken adequate corrective action with respect to the audit finding reported in the prior year.

Since the findings noted above include those that have been identified as a material weakness and 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, 2020. The Single Audit Report will be available at www.apa.virginia.gov in February 2021.

Exit Conference and Report Distribution

We discussed this report with management on January 26, 2021. Management's response to the findings identified in our audit is included in the section titled "Agency Response." We did not audit management's response and, accordingly, we express no opinion on it.

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

KJS/vks



COMMONWEALTH of VIRGINIA

Virginia Employment Commission

Ellen Marie Hess
Commissioner

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Post Office Box 26441
Richmond, VA 23261-6441

February 2, 2021

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

Dear Ms. Henshaw:

Thank you for the opportunity to review the Auditor of Public Accounts' audit report for the year ended June 30, 2020. The extraordinary circumstances over the past year as a result of the pandemic have impacted and expanded every aspect of the VEC's responsibilities, operations, and personnel. VEC staff have worked under exceedingly difficult conditions to achieve our mission and to serve the Commonwealth. With that in mind, I want to express my gratitude for the professionalism and understanding of the circumstances that your staff demonstrated throughout the audit.

The comments and recommendations included in the audit report are appreciated and are given the highest level of importance and consideration as we continue to review and improve our practices and procedures. We concur with the findings and recommendations identified in your report and we plan to take appropriate actions to remediate the findings.

Again, we appreciate the opportunity to provide comments as part of our office's report of the financial records and operations of the Virginia Employment Commission for the year ended June 30, 2020.

Sincerely,

A handwritten signature in cursive script that reads "Ellen Marie Hess".

Ellen Marie Hess
Commissioner

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VRC/TDD VA Relay 711
Equal Opportunity Employer/Program

VIRGINIA EMPLOYMENT COMMISSION

As of June 30, 2020

Ellen Marie Hess
Commissioner

Jeffrey Ryan
Deputy Commissioner

Salvatore Lupica
Chief Operating Officer

Valerie Braxton-Williams
Confidential Assistant for Policy

Michael Faszewski
Director of Finance