



DEPARTMENT OF ACCOUNTS

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 Accounts (Accounts) for the 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 and attachment submitted to Accounts' Financial Reporting Department;
- no matters involving internal control and its operation necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

Our report includes two risk alerts that require the action and cooperation of management of Accounts and other Commonwealth agencies. The "Financial Reporting" risk alert identifies the increased risk that the Commonwealth may not meet the deadline for the Annual Comprehensive Financial Report, which could jeopardize the Commonwealth's bond rating, because entities have increasingly submitted inaccurate and late financial information to Accounts over the past several fiscal years. Continued, significant turnover in key financial positions, lack of policies and procedures, and increasingly complex accounting standards have led to these issues. The "Access to Centralized Audit Log Information" risk alert identifies the risk to Accounts' information technology security posture because the current security information and event management (SIEM) tool does not display all necessary audit log information to allow agencies to react to and investigate suspicious system activity in a timely manner.

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RISK ALERTS

During our audit, we encountered issues that are beyond the corrective action of Department of Accounts' (Accounts) management alone and require the action and cooperation of management at Accounts and other Commonwealth agencies. The following issues represent such a risk to Accounts and the Commonwealth.

Financial Reporting

First Reported: Fiscal Year 2023

Accounts relies on other Commonwealth entities (entities) to provide timely and accurate information to support the Commonwealth's Annual Comprehensive Financial Report (ACFR). Accounts requires 151 Commonwealth agencies and 49 component units to submit generally accepted accounting principles (GAAP) basis financial information (financial information) by specific deadlines. These deadlines allow Accounts time to compile, review, and submit the ACFR to the Auditor of Public Accounts (APA) for audit prior to December 15, the Comptroller's deadline for providing audited financial statements. Over the past several fiscal years, entities have increasingly submitted inaccurate and late financial information to Accounts. While both audit adjustments and findings have decreased in 2025, the impact is still significant. In fiscal year 2025, of the 19 agencies and three component units we audited in support of the ACFR, 11 entities had audit adjustments totaling \$1.6 billion; while in fiscal year 2024, 12 entities had audit adjustments totaling \$4.1 billion. Audit adjustments relating to Accounts' ACFR compilation process totaled \$221.2 million in 2025 and \$115.5 million in 2024. Audit adjustment totals are reported at the gross of adjustment amounts and do not represent the impact on net position.

Although accuracy of submitted information appeared to improve during fiscal year 2025, to achieve those improvements entities submitted information to Accounts later than in prior years. For example, in fiscal year 2025, entities submitted 95 financial statement templates to Accounts, of which 63 (66%) were either late or required subsequent revision. Specifically, entities submitted 28 of 95 (29%) financial statement templates after Accounts' established due date and submitted revisions to 35 of 95 (37%) financial statement templates, with some entities revising their template multiple times. Entities submitted templates between one and 18 days past the established due date and submitted revisions to templates between one and 56 days past the established due date. Revisions occur because the entity identified an error or we identified errors that resulted in an audit adjustment. Similar delays occurred for entity submissions to Accounts related to cash, investments, capital assets, receivables, payables, and pensions.

Entities that made five or more late submissions, including revisions, for fiscal year 2025 are as follows:

- Department of Behavioral Health and Developmental Services
- Department of Corrections
- Department of Emergency Management
- Department of General Services
- Department of Human Resource Management
- Department of Social Services

- Department of the Treasury
- Norfolk State University
- Old Dominion University
- Virginia Community College System
- Virginia Employment Commission
- Virginia Information Technologies Agency

In relation to the untimely and inaccurate submissions, we have issued 33 internal control findings related to financial reporting between fiscal year 2020 and 2025 for ACFR-support audits. Table 1 includes total financial reporting findings issued by fiscal year and severity:

Financial Reporting Findings by Fiscal Year and Severity – ACFR Audits

Table 1

	2025	2024	2023	2022	2021	2020
Material Weakness	2	5	5	5	1	3
Significant Deficiency	5	1	1	1	2	2

As indicated in Table 2, we have noted similar issues for audits of entities outside of the ACFR-support audits:

Financial Reporting Findings by Fiscal Year and Severity – Non-ACFR Audits

Table 2

	2025	2024	2023	2022	2021	2020
Material Weakness	*	1	4	3	1	-
Significant Deficiency	*	6	6	2	2	1

*Fiscal Year 2025 non-ACFR audits have not been performed as of the ACFR Deadline (12/15/2025).

Entities that have received a financial reporting material weakness finding between fiscal year 2020 and 2025 are as follows:

- Department of General Services
- Department of Health
- Department of Human Resource Management**
- Department of Medical Assistance Services
- Department of Transportation
- Longwood University
- Norfolk State University
- Old Dominion University
- University of Mary Washington
- University of Virginia, including the University of Virginia Medical Center
- Virginia Biotechnology Research Partnership Authority
- Virginia Employment Commission**
- Virginia Information Technologies Agency
- Virginia Military Institute

**2025 material weakness

Sections 2.2-803 and 2.2-813 of the Code of Virginia require entities to submit financial information for the following reasons:

- The financial information required is necessary for Accounts to prepare the ACFR. Accounts must provide the audited ACFR by December 15.
- Bond rating agencies use the ACFR to determine Virginia's bond rating. Maintaining an unmodified opinion on the ACFR is critical to Virginia retaining its AAA bond rating.
- Bond rating agencies require inclusion of parts of the ACFR in bond offering statements.

To facilitate the Commonwealth complying with these requirements, Accounts requires entities to complete and submit financial information after fiscal year end and provides guidance and instructions on how to report the financial information. Accounts compiles the financial information along with the financial data from the Commonwealth's accounting and financial reporting system to create the ACFR. To ensure the accuracy of this information, the Comptroller's annual directive requires that entities have adequate internal controls to avoid material misstatements and/or misclassifications in the financial information submitted to Accounts.

The late submissions noted above directly impact Accounts' ability to provide auditable financial information timely. In fiscal year 2025, Accounts was unable to meet the established due date for providing information for audit for six out of seven reporting units that rely on financial statement templates, due to the late and revised financial statement templates discussed above. These delays ranged from three to 38 days after the established deadline. When combined with delays for submissions related to cash, investments, capital assets, receivables, payables, and pensions, Accounts provided auditable financial information from two to 25 days later than the agreed-upon due date for approximately 70 percent of the financial information needed to audit the ACFR. These delays are significant given the compressed audit period even without delays.

Entities providing inaccurate and untimely information to Accounts may cause the Commonwealth not to meet the ACFR deadline, which could jeopardize the Commonwealth's bond rating. While the Commonwealth corrected the inaccurate information before issuance, the inaccurate submissions required the use of additional resources to detect and correct errors found during the audit process and by Accounts, which limited the amount of time available to prepare and audit the ACFR before the issuance deadline. Increases in entities' inaccurate and late submissions compress the timeframe available to prepare and audit the ACFR. The compressed time frame makes it increasingly difficult to allocate resources to perform the required audit work within the time remaining before the December 15 deadline.

Some of the entities submitting inaccurate and late information have experienced significant turnover in finance positions over the last few years. As the Commonwealth continues to experience difficulty in recruiting and retaining highly qualified staff, this turnover has created a knowledge gap in key financial positions. In addition, entities do not always have documented policies and procedures for their new finance staff to follow resulting in an increased likelihood of inaccuracies and delays. In recent years, the Governmental Accounting Standards Board (GASB) has issued increasingly complex accounting

standards requiring significant technical expertise in positions responsible for financial reporting. As noted above, adjustments and findings decreased in the current year at the expense of timeliness as entities focused on accuracy and became more familiar with the complex standards issued in the last few years.

While Accounts agrees there is a risk, it believes that because of its current staffing levels, there are limited actions it can take to address this risk for the Commonwealth. Accounts provides online training annually but asserts it does not have staff available to provide detailed statewide guidance and training to entity personnel regarding the application of GASB standards. Despite its staffing limitations, Accounts meets with entities experiencing the most difficulty with ACFR submissions to assist those entities in identifying and remediating the underlying issues. According to Accounts, it is committed to stressing to entities' fiscal officers the importance of timely and accurate reporting, including the potential adverse impacts to the Commonwealth. Without additional intervention to improve the accuracy and timeliness of financial information that entities submit to Accounts, the Commonwealth may be at risk of not meeting the December 15 deadline.

Access to Centralized Audit Log Information

First Reported: Fiscal Year 2021

Prior Title: Access to Audit Log Monitoring Tool

Accounts relies on the Commonwealth's Information Technology Infrastructure Services Program (ITISP) to install, maintain, operate, and support information technology (IT) infrastructure components, such as servers, routers, firewalls, and virtual private networks. As the ITISP contract administrator, the Virginia Information Technologies Agency (VITA) is responsible for providing agencies with access to its security information and event management (SIEM) tool that stores information about historical security events for these components that may affect Accounts' IT environment.

VITA and the ITISP contractors implemented the current SIEM tool in October 2023 after several unsuccessful iterations since 2018. While the current SIEM tool stores audit logs for the ITISP infrastructure components, the SIEM tool is not presenting the information in a usable format that will allow agencies to adequately monitor their IT environments. Additionally, VITA has not configured the SIEM tool to give alerts about specific events captured in the audit logs. These alerts are necessary to provide Accounts with timely notification of potentially anomalous or malicious activity.

The Commonwealth's Information Security Standard, SEC530 (Security Standard), requires agencies to review and analyze audit records at least every 30 days for indications of inappropriate or unusual activity and assess any potential impact of the inappropriate or unusual activity. Using a SIEM tool without all necessary audit log information displayed to agencies reduces organizational security posture by not being able to react to and investigate suspicious system activity in a timely manner.

Accounts should continue to work with VITA to create relevant and usable information on the SIEM tool, including setting the appropriate alerts, to ensure Accounts can review the activities occurring in its IT environment in accordance with the Security Standard. Our separate audit of VITA's contract management will also continue to report this issue.



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
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December 15, 2025

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Stephen E. Cummings
Secretary of Finance

Scott L. Adams
State Comptroller, Department of Accounts

We have audited the financial records and operations of the **Department of Accounts** (Accounts) 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 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 audit objectives for the audit of Accounts for the year ended June 30, 2025, include determining whether Accounts:

- properly stated, in all material respects, the financial transactions related to its administrative activities recorded and reported in the Commonwealth's accounting and financial reporting system and attachment submitted to Accounts' Financial Reporting Department;
- established and maintained internal controls over the Commonwealth's financial reporting and other central processes and the centralized services provided to agencies and institutions in support of the preparation of the financial statements as indicated in the Audit Scope and Methodology section of this report;

- established and maintained adequate operating and application system controls over the Commonwealth’s accounting and financial reporting, human capital management, capital asset, and lease accounting systems as referenced in the Audit Scope and Methodology section; and
- complied with applicable laws, regulations, contracts, and grant agreements.

Audit Scope and Methodology

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

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following processes and systems:

Financial reporting*

- Commonwealth’s accounting and financial reporting system
- Commonwealth’s human capital management system
- Commonwealth’s capital asset system
- Commonwealth’s lease accounting system
- Administrative activities, including fiscal services provided to agencies
- Information security and general system controls (including access controls)

*Including preparation of the Annual Comprehensive Financial Report and Schedule of Expenditures of Federal Awards.

We performed audit tests to determine whether Accounts’ 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 Accounts’ 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 (internal control) was for the limited purpose described in the section “Audit Objectives” and was not designed to identify all deficiencies in

internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements 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 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 Accounts has established and maintained internal controls over the Commonwealth's financial reporting and other central processes and the centralized services provided to agencies and institutions in support of the preparation of the Commonwealth's Annual Comprehensive Financial Report and the Schedule of Expenditures of Federal Awards. In addition, Accounts has established and maintained adequate operating and application system controls over the Commonwealth's accounting and financial reporting, human capital management, capital asset, and lease accounting systems. Accounts properly stated, in all material respects, the financial transactions related to its administrative activities recorded and reported in the Commonwealth's accounting and financial reporting system.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Exit Conference and Report Distribution

We discussed this report with management at an exit conference held on January 28, 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

DBC/clj