



# STATE CORPORATION COMMISSION UTILITY DIRECT ASSISTANCE PROGRAM

FOR THE PERIOD  
JULY 1, 2020 THROUGH MARCH 31, 2022

Auditor of Public Accounts  
Staci A. Henshaw, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

(804) 225-3350



## AUDIT SUMMARY

We audited the State Corporation Commission's (Commission) administration of the Utility Direct Assistance Program (Program) for the audit period beginning July 1, 2020, and ending March 31, 2022. In addition, we followed up on three findings related to information system security, contracting, and revenue collections from prior audits. We found:

- proper recording and reporting of related transactions, in all material respects, in the Commonwealth's accounting and financial reporting system and the Commission's financial system;
- no matters involving internal control and its operation necessary to bring to management's attention;
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported; and
- adequate corrective action with respect to prior audit findings identified as resolved in the [Findings Summary](#).

We did not review management's corrective action on prior year findings identified as "Deferred" in the [Findings Summary](#). We will follow up on these findings in a future audit.

## - TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
AUDIT SCOPE OVERVIEW	1
INDEPENDENT AUDITOR'S REPORT	2-4
APPENDIX – Findings Summary	5
COMMISSION OFFICIALS	6

## AUDIT SCOPE OVERVIEW

The Commission is a constitutionally established independent department of the Commonwealth of Virginia. The Commission is directed by three Commissioners, elected by the General Assembly for six-year terms. The Commission's primary responsibilities include licensing all corporations, limited partnerships, limited liability corporations, and business trusts doing business within the Commonwealth; regulating the utility, railroad, and financial services industries; and adjudicating legal cases brought before it.

Our audit focused on the Commission's administration of the Utility Direct Assistance Program (Program) for entities subject to regulation by the Commission and included follow up on information system security, contracting, and revenue collection findings issued in prior audits.

### **Utility Direct Assistance Program**

In November 2020, Chapter 56 as passed during the 2020 Special Session I of the General Assembly appropriated \$100 million in federal Coronavirus Relief Funds to the Program, of which the Commission received \$44 million, for the creation and support for its portion of the Program. Additionally, Chapter 1 as passed during the 2021 Special Session II of the General Assembly appropriated another \$120 million in federal Coronavirus State and Local Fiscal Recovery Funds, to continue support for the Program. Of this amount, the Commission received \$55 million to administer its portion of the Program. The Program is subject to federal laws and regulations and certain provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, also known as Uniform Guidance. Between July 2020 and March 2022, the Commission disbursed approximately \$96 million from the Program to utility providers (utilities).

The Program is designed to assist customers of utilities with accounts over 30 or 60 days in arrears as authorized by the 2020 and 2021 appropriations, respectively. Utilities include electric companies, water suppliers, and wastewater service providers subject to regulation by the Commission.

The primary objective of our audit was to determine whether the Commission administered the Program in accordance with federal and state laws and regulations. Specifically, we evaluated whether the Commission evaluated utilities' eligibility; verified that utilities were not suspended or debarred prior to awarding funding; communicated applicable federal requirements and compliance responsibilities to utilities; and monitored the utilities' activities to ensure proper use of Program funding for allowable purposes. We also evaluated the Commission's process for validating Program information provided by utilities that the Commission submitted to the Governor and Chairs of the House Appropriations and Senate Finance and Appropriation Committees. Finally, we evaluated whether the Commission maintained adequate internal controls over the Program.



# Commonwealth of Virginia

## Auditor of Public Accounts

Staci A. Henshaw, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

October 31, 2022

The Honorable Glenn Youngkin  
Governor of Virginia

Joint Legislative Audit  
and Review Commission

Commissioners  
State Corporation Commission

We have audited the administration of the Utility Direct Assistance Program (Program) by the **State Corporation Commission** (Commission) for the audit period beginning July 1, 2020, and ending March 31, 2022, and followed up on information system security, contracting, and revenue collection audit findings from prior audits. We conducted this performance audit in accordance with generally accepted government auditing standards. 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 Scope and Objectives**

Our audit's primary objectives with regard to the administration of the Program were to evaluate the accuracy of related transactions as recorded in the Commonwealth's accounting and financial reporting system and Commission's financial system; review the adequacy of the Commission's internal controls; and test compliance with applicable laws, regulations, contracts, and grant agreements. We also reviewed corrective actions for information system security, contracting, and revenue collection audit findings from the prior year reports. We did not review corrective action for the prior findings identified as "Deferred" in the Appendix titled [Findings Summary](#). We will follow up on these findings in a future audit. The listing of findings in the [Findings Summary](#) includes all prior findings not previously resolved and the status of our review of management's corrective action.

## **Audit 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, as they relate to the audit objectives, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. 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 as they pertain to our audit objectives.

Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, contracts, and grant agreements, 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 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.

## **Conclusions**

We found that the Commission properly stated, in all material respects, related transactions recorded and reported in the Commonwealth's accounting and financial reporting and the Commission's financial system, relating to the audit objectives.

We noted no matters involving internal control and its operation pertaining to the administration of the Program that we consider necessary to be reported to management. The results of our tests of compliance as they pertain to the Commission's administration of the Program 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.

The Commission has taken adequate corrective action with respect to select audit findings reported in prior audit reports that are listed as "Resolved" in the [Findings Summary](#) in the Appendix.

### **Management's Review and Report Distribution**

We provided this report to management on November 7, 2022, for review.

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

Staci A. Henshaw  
AUDITOR OF PUBLIC ACCOUNTS

GDS/clj

## FINDINGS SUMMARY

Finding	Follow Up Status	Year(s) Issued
		2014 2016 2017 2018 2019
Continue Improving the Information System Security Program	Resolved	2019
Develop and Implement Alternative Controls for Manual Payments	Resolved	2018
Document Policies and Procedures and Implement Separation of Duties for Legal Service Contracts	Resolved	2019
Improve Database Security	Deferred*	2019
Improve Server Operating System Security	Deferred*	2019

\* Follow-up Status on a prior year finding identified as “Deferred” indicates review of management’s corrective action on a prior year finding will be performed in a future audit.



## STATE CORPORATION COMMISSION

As of March 31, 2022

Jehmal T. Hudson  
Commissioner

Judith Williams Jagdmann  
Commissioner