



# COMMONWEALTH of VIRGINIA

*Auditor of Public Accounts*

Staci A. Henshaw, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218  
(804) 225-3350

July 28, 2025

The Honorable Glenn Youngkin  
Governor of Virginia

The Honorable Luke E. Torian, Chair  
House Appropriations Committee

The Honorable L. Louise Lucas, Chair  
Senate Finance and Appropriations Committee

James Eskridge, Mayor  
Town of Tangier

The Honorable Stephen E. Cummings  
Secretary of Finance

The Honorable Candi Mundon King, Chair  
House Counties, Cities, and Towns Committee

The Honorable Jeremy S. McPike, Chair  
Senate Local Government Committee

Elizabeth Thomas, Vice Mayor  
Town of Tangier

The Virginia Acts of Assembly and Code of Virginia direct the office of the Auditor of Public Accounts (Office) to establish a prioritized early warning system and annually monitor data and information from this system to identify whether a locality may meet the defined criteria for fiscal distress. Based on the results of our annual monitoring process, the Office may identify a locality as needing additional follow-up review, at which point we send written notification to inform the local governing body and locality management of our determination. If a locality chooses to participate in the follow-up review process, we further evaluate the locality using our financial assessment questionnaire. The Office's follow-up process involves a more in-depth review and discussion with local officials to better understand certain budgetary, financial, and operational aspects of the locality and any specific factors contributing to the locality's financial position. The primary objective of this review is to determine whether a locality is experiencing fiscal distress that warrants further assistance or intervention from the Commonwealth. If we conclude that a locality is fiscally distressed, statute requires the Office to notify the Governor, certain legislative committees, and the local governing body regarding the specific indicators of fiscal distress and our recommendation for state assistance to further assess, stabilize, or remediate a locality's situation.

As part of the Office's 2025 monitoring process, we identified the Town of Tangier (Tangier) for additional follow-up review. Based on the follow-up review completed with the town, the Office has determined that Tangier meets the criteria for fiscal distress in the context of the Commonwealth's early warning system. In accordance with § 15.2-2512.1 of the Code of Virginia, the Office provides this notification as our formal recommendation that the Commonwealth consider providing state assistance to further assess and help remediate Tangier's situation and support the town's efforts to address the factors contributing to fiscal distress, as further detailed below.

To provide some background on the Office's analysis during the 2025 monitoring process, we qualitatively evaluated Tangier for potential fiscal distress based on correspondence we received directly from state entities during March and April 2025 concerning fiscal issues and budgetary challenges that Tangier was experiencing. Specifically, the Virginia Department of Environmental Quality notified the Office about their communications with Tangier officials related to the town's misappropriation of state grant funds provided for sea-level rise mitigation projects and noncompliance with these grant requirements. In addition, the Virginia Department of Accounts provided the Office with information regarding its communication with Tangier officials related to the town's noncompliance with the U.S. Treasury's reporting requirements for the federal Coronavirus State and Local Fiscal Recovery Funds the town received for pandemic assistance. Specifically, the town received notice by the U.S. Treasury of potential recoupment of the \$360,000 in federal assistance due to the town's noncompliance with submitting required federal reporting during 2022, 2023, and 2024. Further, the Virginia Resources Authority (VRA) notified the Office that Tangier had not timely made its April 1<sup>st</sup> debt service payment for the town's Drinking Water State Revolving Fund loan. VRA also communicated that Tangier is in violation of the loan terms because the town has not provided audited financial statements.

In April 2025, the Office formally corresponded with Tangier officials and requested they participate in our follow-up review process based on our qualitative evaluation. The town agreed to participate and submitted the completed financial assessment questionnaire and provided the Office additional information to assist with our review process. In June 2025, the Office had further discussions with two members of Town Council to obtain a better understanding of the town's current fiscal situation. The current members of Town Council were elected in November 2024. As the new Town Council members started their terms in January 2025, they began to uncover various fiscal issues related to the following areas.

- Absence of a formal budget and budgetary monitoring process
- Unpaid obligations and delinquent payments to vendors
- Cash flow issues due to unreconciled bank accounts and no accounting or monitoring of various transfers between funds
- Insufficient and missing accounting records and supporting documentation for various financial transactions, to include deficiencies with proper accounting of state grant funding
- Inadequate internal control framework for operational and fiscal processes
- Lack of an audit and audited financial statements

Additionally, Town Council has continued to communicate with the Office about its concerns that Tangier's financial situation continues to deteriorate as evidenced by ongoing cash flow issues and having sufficient funds to pay operational obligations, such as payroll and upcoming loan payments for its wastewater treatment plan.

Town of Tangier

July 28, 2025

Page Three

Should the Governor and legislative committees approve a plan for state assistance for Tangier, the Office recommends the Commonwealth provide assistance that focuses on procuring financial advisor services to assist Town Council with assessing the town's financial condition and addressing the current cash flow issues. In addition, the Office recommends assistance that focuses on providing accounting consulting services to assist Town Council with strengthening key budgetary processes and other fiscal and accounting internal controls and to advance its efforts to regularly monitor critical budgetary and financial activity for the town. Ideally, the financial advisor and accounting consulting services would include personnel with Virginia-specific local government experience working with smaller localities; technical expertise in local operations, business processes, and internal controls framework; and knowledge of governmental accounting and reporting.

We would like to express our appreciation to the members of Town Council for their responsiveness and cooperation during our follow-up review process. Should you have any questions or require any further information, please contact me at (804) 225-3350 or [Staci.Henshaw@apa.virginia.gov](mailto:Staci.Henshaw@apa.virginia.gov).

Sincerely,

Staci A. Henshaw  
Auditor of Public Accounts

cc: Tommy Eskridge, Town Council Member  
Anna Parks, Town Council Member  
Normand St-Pierre, Town Council Member  
Tracy Pruitt, Town Council Member  
Kelly Wheatley, Town Council Member  
John Markowitz, Deputy Secretary of Finance  
Bryan Horn, Commission on Local Government  
Delegate Robert S. Bloxom, Jr., Virginia House of Delegates 100<sup>th</sup> District  
Senator Bill DeSteph, Virginia State Senate District 20