



2021 Annual Report

**Commonwealth of Virginia
Auditor of Public Accounts**

Staci A. Henshaw, CPA



Commonwealth of Virginia

Auditor of Public Accounts

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P.O. Box 1295
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December 17, 2021

The Honorable Ralph S. Northam
Governor of Virginia

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

I am pleased to submit the **2021 Annual Report of the Auditor of Public Accounts (APA)**, which primarily covers audits we completed from July 1, 2020, through June 30, 2021. This Annual Report provides you with an overview of some of the more significant activities and results of audits from the past year. Through the audits we perform and the other activities in which our staff engage, we strive to provide unbiased, accurate information and sound recommendations to improve accountability and financial management of public funds. We utilize a values-based leadership approach, identifying four core values that we believe best represent our Office and staff. We have reflected throughout this report how we believe our Office demonstrated those values during the year. All of our reports are available on our agency website at www.apa.virginia.gov.

I want to thank our staff for their hard work and dedication. I especially appreciate their support during this year of transition as I assumed my new role as the Auditor of Public Accounts. Our staff are key to the Office achieving its mission and accomplishing its work plan. For the eighth consecutive year, the Richmond Times-Dispatch recognized the Office as one of Richmond's Top Workplaces. In addition, our Office underwent a peer review of the system of quality control over the work we perform and received the highest rating of pass, with no issues rising to the level of a deficiency or finding related to the work reviewed. All of these accomplishments are due, in no small part, to the working environment and commitment to quality advocated by our management team and staff.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

OUR MISSION

The Auditor of Public Accounts serves Virginia citizens and decision makers by providing unbiased, accurate information and sound recommendations to improve accountability and financial management of public funds.



OUR CORE VALUES

Collaborative

We work together to create greater value.

Engaged

We see what needs to be done and participate or become involved.

Knowledgeable

We are well-informed and insightful.

Professional

We act in a manner that reflects favorably on ourselves, our co-workers, and the APA.

2021 AT-A-GLANCE

During 2021, our organization:

- Provided audit coverage over **\$78 billion in revenues** and **\$72 billion in expenses** for the Commonwealth, including **\$23.3 billion in federal spending** through our audit of the Commonwealth's Annual Comprehensive Financial Report and Single Audit
- Compiled the local government **comparative report** and performed **local fiscal distress monitoring**
- Maintained **Commonwealth Data Point**
- Issued **84** reports for audits of state agencies, institutions, and authorities issuing findings for **41**
- Issued **15** letters containing internal control questionnaire review results, including findings for **12**
- Issued **5** special reports
- Reviewed **68** Circuit Courts, issuing findings for **29**
- Reviewed **191** General, Juvenile and Domestic Relations, and Combined District Courts, issuing findings for **41**
- Performed **136** audits of local Constitutional Officers, issuing findings for **19**
- Reviewed **33** General Receivers and Magistrate Districts, issuing findings for **6**

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We are COLLABORATIVE

In addition to our auditing activities, the Office performs a variety of other functions throughout the year to assist in improving accountability and financial management in the Commonwealth. Some of these activities involve assisting the Commonwealth's local governments and include providing guidelines to the auditors of local government financial statements and reviewing the quality of their work. We also annually prepare a Comparative Report of Local Government, which is a compilation of financial information provided by the cities, counties, and certain towns in the Commonwealth, and perform an annual monitoring process to review for signs of potential local fiscal distress. In addition, we coordinate with other legislative and executive branch entities that perform oversight and review functions sharing information and, at times, working together to capitalize on our respective expertise. Further, we maintain Commonwealth Data Point, the Commonwealth's transparency website, provide information and data to General Assembly members and staff, and respond to related inquiries. In addition, we receive and follow up on reports of potential fraud. We highlight these activities in more detail below.

We also serve the Commonwealth by procuring certified public accountant (CPA) firms and performing contract management for annual audits of legislative agencies and several other Commonwealth related entities. Besides the General Assembly and legislative agencies, we manage audit contracts for the following entities:

- Central Virginia Transportation Authority
- Fort Monroe Authority
- Hampton Roads Transportation Accountability Commission
- Virginia529
- Virginia Commercial Space Flight Authority
- Virginia Passenger Rail Authority
- Virginia Port Authority (including Virginia International Terminals)
- Virginia Resources Authority
- Virginia Tobacco Settlement Financing Corporation.

Supporting Local Government

Comparative Report of Local Government Financial Activity

Each year the Office prepares a [Comparative Report of Local Government Revenues and Expenditures \(Comparative Report\)](#), which is a compilation of financial information provided by the Commonwealth's cities, counties, and those towns over a 3,500 population threshold or having a separate school system and thus required to have an annual audit. The published [Comparative Report for the fiscal year ended June 30, 2020](#), contains financial data submitted by cities, counties, and certain towns, derived from their fiscal year 2020 audited financial reports, which our Office received and reviewed as of April 30, 2021.

For the fiscal year ended June 30, 2020, 35 localities did not submit their required transmittal data and 46 localities did not submit their audited financial report by the statutory deadline.

During our report preparation process, we perform an internal review process over each locality's financial data by performing various analytics through review of the locality's audited annual financial report and the Office's uniform reporting guidelines to ensure the reliability and material accuracy of the data in our report. For the fiscal year 2020 Comparative Report, 35 localities did not submit their required transmittal data to our Office by the December 15 statutory deadline. Additionally, 46 localities did not submit their fiscal year 2020 audited financial reports to our Office by the statutory deadline. The localities' untimely submission of their transmittal data and audited financial reports continues to

affect the completion of our internal analytical review process over the data and further delays the final issuance of our annual Comparative Report. Footnote 3 in the [Notes to the 2020 Comparative Report](#) contains a list of localities that submitted late transmittal data and audited financial reports and also shows those localities that have had ongoing delays over the years with sending in their required financial information.

At the time of our final report issuance in April 2021, the Cities of Emporia and Hopewell, the Counties of Bedford and Lee, and the Town of Rocky Mount did not provide their auditors financial information in sufficient time to meet the statutory deadline for auditing their annual financial statements and did not submit their final transmittal data for our report. Accordingly, we did not include these five localities in our final 2020 report issuance. Our Office has since received and reviewed the fiscal year 2020 audited financial reports and transmittal data for the City of Emporia, and the Counties of Bedford and Lee. The City of Hopewell and the Town of Rocky Mount remain delinquent in completing and submitting their fiscal year 2020 audited financial report and transmittal data. We will include the data for these delayed localities in an amended version of the fiscal year 2020 Comparative Report once we receive all required reporting information.

During November 2021, our Office sponsored a virtual training for localities and the CPA firms performing the locality audits to continue to support their understanding of the transmittal data compilation and preparation process for our annual Comparative Report. Our virtual training attracted participation from 58 attendees spanning across 27 localities and four CPA firms. The training focused on an overview of the Comparative Report process, to include discussing the unique reporting structure

of the financial data based on the Uniform Financial Reporting Manual and the Office's internal review process completed each year over the data for the 171 localities that are required to submit their financial data. The training objectives also covered common questions the Office receives from localities and the CPA firms about the transmittal data classifications and reporting structure, along with hosting an open discussion of locality specific questions from the training attendees. At the conclusion of the training, the Office received positive feedback from participants and valuable suggestions for how we can continue to improve the training content. The Office plans to continue to offer this training each year through a virtual platform to offer more flexibility and allow a greater number of locality participants throughout the state to easily attend.

Local Fiscal Distress Monitoring

The Virginia Acts of Assembly directs the Office to establish a prioritized early warning system and annually monitor data and information from this system to identify potential fiscal distress within local governments across Virginia. As part of this system, the Office performs a ratio analysis that calculates 12 financial ratios using data from the localities' audited financial reports; we then analyze the results of each locality's ratio performance using a points-based methodology. We apply a judgment-based threshold of total, cumulative ratio points to determine the need to perform further review of a locality in our additional qualitative analysis, which involves an assessment of demographic and other external, qualitative factors as part of our final evaluation. Based on the results of the ratio and qualitative analyses, we classify each locality into either one of two categories: designated as needing further follow-up through our financial assessment questionnaire review process or designated as not needing any further follow-up for the current monitoring process.

During our 2019 process, we initially communicated with the City of Buena Vista regarding the results of their financial ratios when comparing the fiscal year 2017 to fiscal year 2018 ratio results. We provided additional details on the city's ratio results in our [2019 Local Government Fiscal Distress Monitoring Report](#), pages 8 to 9. The Office also had discussions with the former city manager in early 2020 about the city's continued consideration to participate in our follow-up process when they have available resources to dedicate to our process. During April 2021, our Office again formally corresponded with the City of Buena Vista's governing body and management to communicate the city's most recent ratio analysis as a result of our continued monitoring during our 2021 process. Based on the results of our current year analyses over the audited financial statement data for both the fiscal years 2019 and 2020, we noted significant downward trends in the city's ratios, and therefore, requested to perform additional review with the city through our financial assessment questionnaire and follow-up process. As of the date of this report, our Office continues to await a response from current city management to confirm if they would like to participate in our follow-up process. We understand that the city remains focused on managing other priorities due to the pandemic, and we will continue to remain in contact with city management throughout the remainder of 2021.

Further, as part of our 2021 monitoring process, we continued to qualitatively identify the City of Hopewell as part of our process because the city remains delinquent in completing its annual financial reports, which has impacted our evaluation of the city's financial data in our annual ratio analyses. During November 2021, the city completed its fiscal year 2018 financial audit and submitted their related

2018 financial reporting to our Office. Hopewell officials also provided our Office an update on the delay and expected completion and posted the proper audit delay notification on the [city's website](#). The city's 2019 and 2020 financial audits are still ongoing, with expected completion in January and March 2022. As soon as Hopewell completes delayed audits and submits the outstanding audited financial reports, we will evaluate the city's data in our ratio and qualitative analyses as part of our current monitoring process. We will then evaluate Hopewell's need to complete the assessment questionnaire for our further follow-up process and notify city council and management accordingly.

During 2021, we also completed our monitoring process and analyses of the ratio calculations based on the audited fiscal year 2019 and 2020 financial data for all other cities, counties, and towns who are required to have an audit and submit audited financial reports to our Office. At this time, we have not identified or designated any new locality as needing further review and follow-up with our assessment questionnaire process. The Office expects to issue a formal report during January 2022 to provide a summary update on the results of the ratio analyses and any other relevant information regarding our analyses over the fiscal year 2019 and 2020 audited financial data. The Office will also report on any applicable follow-up process we may complete with the City of Buena Vista.

Providing Support for Governmental Accounting Standards

Fiduciary Funds

Effective for fiscal year 2021, Virginia local governments implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Funds* (GASB 84), related to accounting changes with reporting fiduciary activity in state and local government financial statements. During 2021, our Office published [a GASB 84 reporting resource](#) specific to local governments to assist Virginia localities and school divisions as they were implementing the new standard and making decisions about whether financial activity should be

During 2021, our Office published guidance to assist Virginia localities and school divisions when making decisions about whether funds should be classified as fiduciary funds in accordance with GASB 84 for their fiscal year 2021 financial statements.

classified as fiduciary for their fiscal year 2021 financial statements. Due to changes from this accounting standard, local governments had to consider whether certain financial activity now meets new criteria for separate fiduciary fund reporting. If local government financial activity previously reported as fiduciary no longer meets the new reporting criteria, it should now be reported as part of the locality's own governmental fund revenues and expenses.

The GASB 84 guidance provided various scenario evaluations to help local governments analyze certain financial activities for which our Office received multiple, frequently asked questions regarding GASB 84. The guidance focused on key financial activities related to funds held by a sheriff's office or jail, such as commissary/canteen funds, inmate accounts, or seized assets/evidence; a school division's student activity funds; and special welfare funds held by a locality. Overall, our Office provided this guidance to help promote consistency in financial reporting for Virginia local governments, but it was not intended to analyze each fact and circumstance nor address each local government's specific

situation. We encouraged local governments to continue to consult with their external auditors about any unique reporting circumstances. As the external auditors, the CPA firms have more hands-on experience with understanding the specific financial activity occurring at the local governments; as such, they would be more knowledgeable with providing technical assistance specific to implementing GASB 84 as it impacts local government reporting.

[Pension and Other Postemployment Benefits](#)

As discussed later in the [Pensions and Other Postemployment Benefits](#) section of the report, the Commonwealth and its local governments implemented GASB Statement No. 68 related to pensions beginning in fiscal year 2015 and GASB Statement No. 75 related to other postemployment benefits (OPEB) in fiscal year 2018. Both of these standards continue to have a significant impact on the financial statements of local governments. Throughout 2021, our Office continued to provide essential information and resources to the local governments and the CPA firms performing their audits to ensure compliance with these standards for their financial statements.

Annually, the Virginia Retirement System (System) provides the actuarial valuation reports, schedules of the applicable pension and OPEB amounts, footnote disclosure information, and other financial reporting guidance to the participating local government employers for their financial statements to support reporting in compliance with GASB Statement Nos. 68 and 75. Likewise, our Office publishes the reports that include our audit opinions over the System's plan schedules and applicable financial amounts for the various pension and OPEB plans in which local governments participate. This information is available on the [Pension and OPEB Standards](#) section of our website.

Our Office continued to provide hands-on support to assist the local governments in understanding the substantial changes involved with these standards by providing technical guidance and outreach to keep the local governments, political subdivisions, and the CPA firms updated on important pension and OPEB information. Also, since local governments can administer their own plans or participate in other plans not administered by the System, our outreach has continued to highlight the importance of the localities proactively communicating with the other plan administrators and external auditors to inquire about audit assurances and ensure they receive important financial reporting information timely for their financial statements.

[Auditing Guidelines](#)

While our Office does not audit the financial statements of the Commonwealth's local governments, we do establish guidelines, or audit specifications, that the CPA firms must follow when auditing local governments. The specifications assist state agencies in making sure that the auditing firms understand and include audit procedures of state grants and contracts, as well as detail how auditors should perform audit work unique to Virginia local governments. During the current year, the Office continued its efforts to work with the CPA firms that perform local government audits and applicable state agencies, to enhance audit efficiencies in meeting the overall objectives of the specifications.

Quality Control Reviews

The Office is not responsible for procuring a local government's auditing firm nor overseeing its work during the process. However, annually, our Office selects a sample of the CPA firms used by the local governments and other Commonwealth agencies to conduct a post issuance quality control review to ensure the firm's audit work complies with auditing standards and the requirements of the federal government, if the local government receives federal funds, as well as the audit specifications mandated by our Office. Our annual quality control reviews are in addition to the external peer reviews that CPA firms must periodically undergo. Starting with our quality control review process in 2021, the Office also incorporated review over the annual audits of local authorities, boards, districts, commissions, or other political subdivisions that are required to have an annual audit and follow our audit specifications.

During our 2021 quality control review process, we selected three locality and two authority audits for the fiscal year 2020 performed by three CPA firms.

We communicate the results of our reviews in a published report to the firm, and we include the applicable local government or entity whose audit is selected for review, the Virginia Society of Certified Public Accountants, and the Virginia Board of Accountancy on a notification of our issued reports. Firms can receive a rating of pass, pass with deficiencies, or fail. Firms that receive a rating of fail are scheduled for a repeat review in the following year.

For our 2021 review process, the Office selected three locality audits and two local authority audits for the fiscal year ending June 30, 2020, which were performed by three CPA firms. During 2021, we completed reviews over two CPA firms that performed three of the locality audits and one of the authority audits selected, and we issued pass ratings for these four reports. We also finalized our review over a fiscal year 2019 audit performed by another CPA firm, which was delayed from our prior year process, and issued a pass rating for this report. As of the date of this report, conclusion of our review for the one authority audit for fiscal year 2020 is pending our final follow up with the CPA firm. We expect to issue this remaining report during January 2022.

Additionally, we monitor compliance with the requirements over federal funds as part of our quality control review process through our analysis of Single Audit reports related to federal funds across the Virginia local governments that are required to issue this report for fiscal year 2020. During 2021, the federal government granted reporting extensions to entities required to complete a Single Audit for the fiscal year 2020 in response to the impact from the COVID-19 pandemic. Accordingly, our Office is still in the process of reviewing the local government fiscal year 2020 report data. As part of this review process, we obtain report data for all Virginia local governments from the Federal Audit Clearinghouse and perform various data analytics designed to detect non-compliance with specific federal auditing and reporting requirements. We expect to finalize the results of this analysis in early 2022 and will communicate any potential Single Audit reporting issues as necessary.

During presentation opportunities to local government groups, as well as in guidance published in our Uniform Financial Reporting Manual, we continue to highlight our recommendation that local

governments, in performing due diligence when contracting with a public accounting firm, incorporate the review of our quality control reports issued for prospective auditing firms. We also emphasized that localities should evaluate the quality of the firm by reviewing the American Institute of Certified Public Accountants' (AICPA) most recently published peer review results of the firm, which are publicly available on the AICPA's website. To continue assisting local governments with their assessment to ensure they are contracting with a quality CPA firm for their annual audits, we publish on our website the most recently issued quality control reports over CPA firms auditing the Commonwealth's local governments, along with copies of these reports for the last six years of reviews. These reports are available under the [Quality Control Review Reports](#) page on the Local Government section of our website.

Local Report Information on Our Website

The Local Government section of our website provides the audited financial statements and the internal control and compliance reports for the 171 localities required to report annually to the Office. As part of our continued efforts to increase transparency and provide valuable information for the Commonwealth and its constituents, the Office publishes additional local government information and reports on our website each year. During the 2019 legislative session, § 15.2-2511 of the Code of Virginia was amended to require any town with fewer than a population of 3,500, which voluntarily contracts for an audit, to submit the results of the audit to our Office upon completion of the audit. Accordingly, we also publish any audit report that our Office receives from an applicable town under the 3,500 population threshold that has voluntarily elected to receive an audit.

As part of our continued efforts to increase transparency and provide valuable information for the Commonwealth and its constituents, the Office publishes additional local government information and reports on our website each year.

In addition to the locality's audited financial statements and reports on internal control and compliance, a locality may receive a written management letter from its auditor. A separate letter may be issued to emphasize other reporting matters that the auditing firm judges to be important enough to bring to management's attention but not at a significant level for inclusion in the locality's audit report. The Virginia Acts of Assembly requires that our audit specifications include the requirement that any auditor communication related to other internal control deficiencies or financial matters, which merit the attention of locality management and the governing body, must be communicated in the form of an official, written management letter. Because this letter may provide additional insight regarding internal control deficiencies over financial matters, we believe that making the management letters available on our website provides useful information alongside the local government audited financial reports.

Further, our Office continues to publish on our website the audited financial reports that we receive annually from a local authority, board, district, commission, or other political subdivision in accordance with § 30-140 of the Code of Virginia. Further, if an applicable locality has a stormwater utility program pursuant to § 15.2-2114 of the Code of Virginia, the locality is required to file an annual

stormwater utility report with our Office. Accordingly, we provide these annual reports on our website along with the other local government required annual reporting.

Working with Other Oversight Entities

Throughout the year, we coordinate with other legislative and executive branch entities that perform oversight and review functions sharing information and, at times, working together to capitalize on our respective expertise. We also annually meet with select members of the Governor’s cabinet to provide information about the audits we have performed over the last year as well as gather information to assist us in assessing risk related to future audits.

The Office of the State Inspector General (OSIG) and Joint Legislative Audit and Review Commission (JLARC) are two entities with which we have regular communication. We frequently share information with them concerning the scope and results of specific audits when they are beginning reviews of agencies or programs that we have recently covered in our work plan. Examples of our collaboration with these two entities, as well as other oversight entities, are included in other sections of this report.

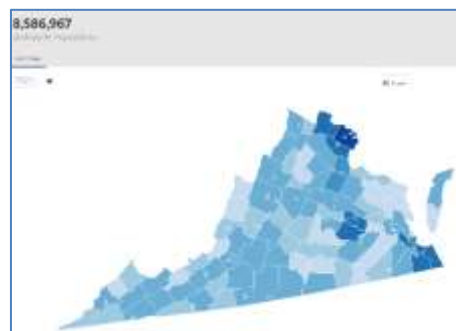
Maintaining Commonwealth Data Point

Section 30-133 of the Code of Virginia requires our Office to compile and maintain a searchable database on our website that contains certain state expense, revenue, and demographic information. We meet this Code of Virginia requirement through our operation and maintenance of [Commonwealth Data Point](#). We update Commonwealth Data Point quarterly with data obtained from agencies, higher education institutions, and other sources, as needed. We also include information about local government financial activity that we obtain from our Comparative Report on Local Government. In addition, we research and respond to citizen’s inquiries about information on Commonwealth Data Point.

The site currently includes over four years of expenses, revenues, budgets, and salaries; visualizations; and contact information for each agency, all built upon a platform that complies with modern web standards.

Commonwealth Data Point also contains various demographic information that is updated as it becomes available. Information and visualizations are included for, but not limited to, statewide population, public school enrollment, and prison population. Our office continually evaluates additional information that could be displayed on the website.

To access information relating to fiscal years prior to 2017, users can visit the archived version of Data Point, now known as Legacy Data Point. Commonwealth Data Point can be found at datapoint.apa.virginia.gov and Legacy Data Point can be found at legacydatapoint.apa.virginia.gov.



Investigating Fraud

During the course of the year, in accordance with § 30-138 of the Code of Virginia, we receive reports of circumstances indicating a reasonable possibility of fraudulent transactions. This Office conducts an initial review of all reports and, based on the nature and circumstances of each report, determines how best to proceed. Our Office is currently evaluating our approach to training staff on fraud related topics and more effective ways to use the expertise that we have in our Office. We are also looking into opportunities to use data analytics as a proactive fraud monitoring tool.

The majority of reports and related situations result in this Office, the Office of the State Inspector General, and the Virginia State Police coordinating our activities with agency, institution and locality officials, primarily internal auditors and local law enforcement. Table 1 outlines the volume of activity, including a breakdown of new reports by type of entity, during fiscal years 2019 through 2021.

Fraud Report Activity

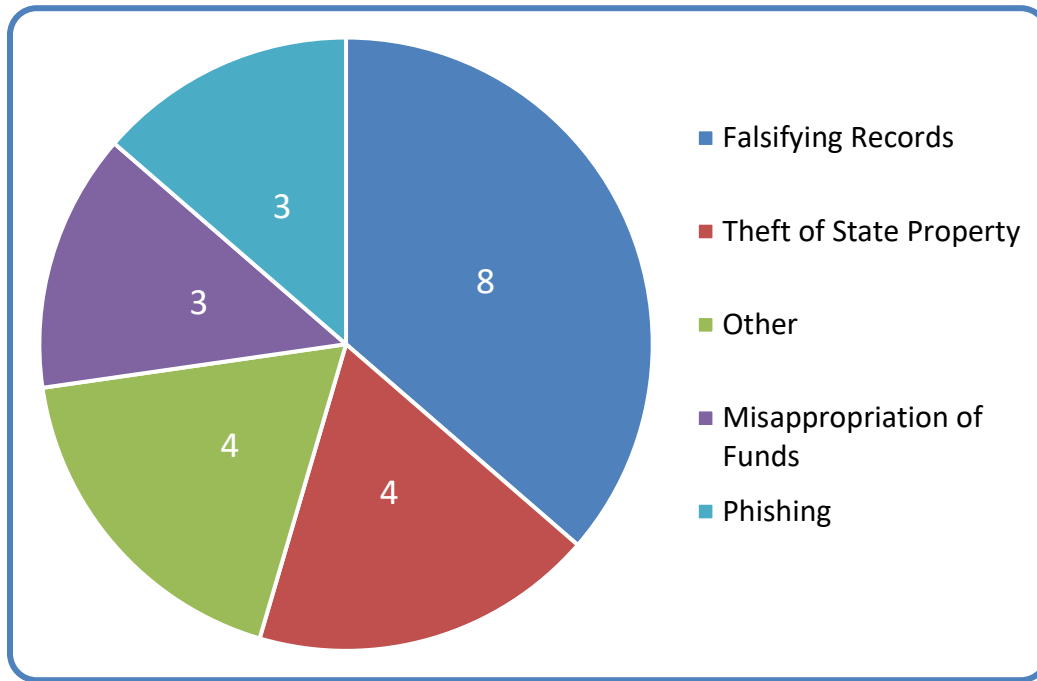
Table 1

	FY 2019	FY 2020	FY 2021
Outstanding cases at beginning of fiscal year	29	28	25
New reports:			
Courts	1	1	0
Local Governments	11	7	5
Institutions of Higher Education	9	1	3
State Agencies	13	18	14
Total new reports	34	27	22
Closed reports	35	30	34
Active cases at end of fiscal year	28	25	13

Chart 1 on the following page provides a breakdown of the new reports received during fiscal year 2021 by type. The falsifying records category includes multiple cases involving fraudulent unemployment benefit claims and irregularities in attendance/leave reporting.

New Reports in Fiscal Year 2021 by Type

Chart 1



During the year, a number of fraud reports were resolved and closed. Table 2 below shows the breakdown of their resolution by fiscal year.

Closed Reports

Table 2

Disposition	FY 2019	FY 2020	FY 2021
No Conviction / Action	22	15	15
Conviction	2	3	2
Conviction and Recovery	0	1	2
Administrative Action	5	4	8
Administrative Action and Recovery	6	7	7
Total	35	30	34



We are ENGAGED

The Office performs a variety of audits each year, including financial, federal, and performance. We spend the majority of our time performing audits mandated by the Code of Virginia, federal regulations, and bond or accreditation requirements. Their results are used by various entities to evaluate the Commonwealth's fiscal management. To the extent our resources allow, we also perform special projects and other agency reviews covering a wide array of topics.

Our reports on these audits and other reviews include recommendations for improving internal controls and addressing non-compliance with state and federal regulations and provide information from Commonwealth, secretarial, and agency perspectives. Our special report topics in 2021 included revenue stabilization fund and revenue reserve fund calculations and review of bond issuance limits. We also issued special reports summarizing our internal control questionnaire review results, district court audits, state account audits, and two reviews over Frontier Culture Museum of Virginia.

The following section features the results of some of these audits completed during fiscal year 2021. [Appendix B](#) contains a complete list of all audits we issued during the fiscal year.

REPORTING ON MANDATORY AUDITS

Most of our mandated audits are financial statement audits, including the audits of the Commonwealth's Annual Comprehensive Financial Report (ACFR), Higher Education Institutions, and the Virginia Retirement System. Our mandated audits also include the Single Audit of federal funds expended by the Commonwealth. We summarize our observations and findings for the more significant mandatory audits completed this year below.

Annual Comprehensive Financial Report (ACFR) and Single Audit

The Commonwealth's ACFR is an audit of the statewide financial statements used by bond rating agencies and others to assess the fiscal health of the Commonwealth. The Code of Virginia mandates the completion of the audit by December 15 each year. This past year, as a part of the ACFR audit, we performed procedures over the financial activity at agencies and universities, obtaining coverage over \$78 billion in revenues and \$72 billion in expenses for the Commonwealth and its components. Through this work, we also gained coverage over \$130 billion in assets, consisting primarily of capital assets, cash

and investments, and receivables; \$89 billion in pension and other employee benefit trust fund assets; as well as \$63 billion in liabilities.

The Single Audit report serves to communicate not only findings related to federal compliance testing for ACFR material and other agencies, but also internal control and compliance matters related to the ACFR audit.

During our testing for ACFR, we also perform test work at ACFR material agencies and other agencies to support the Commonwealth's Single Audit of federal funds. The Single Audit report serves to communicate not only findings related to federal compliance testing, but also internal control and compliance matters related to the ACFR audit. As a result, we complete this work in time to issue the Single Audit report within 60 days of the conclusion of the ACFR audit, which is approximately 45 days ahead of the federally mandated deadline.

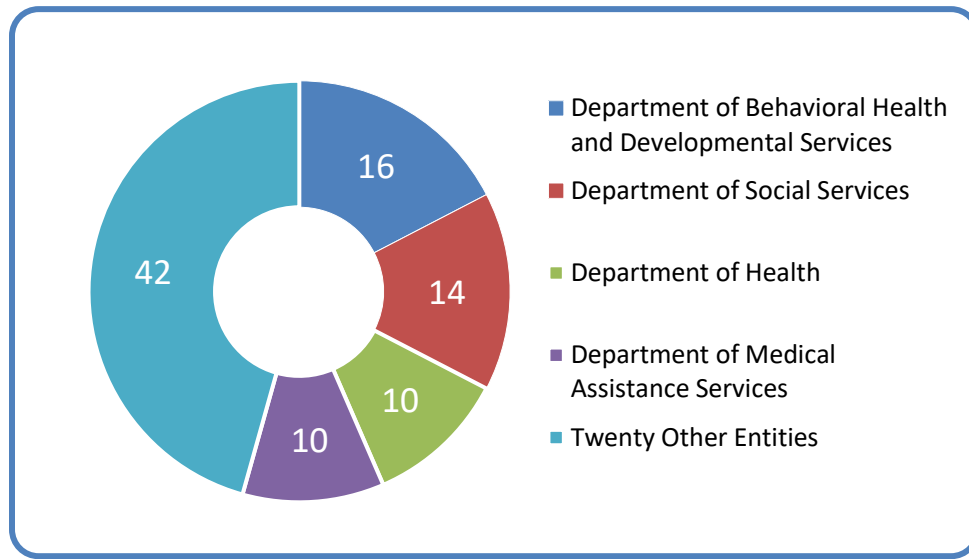
We perform federal compliance testing for the Single Audit to fulfill the audit requirements to which the Commonwealth commits when it accepts federal funds. Most state entities (e.g., agencies, authorities, boards, and commissions) that are part of the Commonwealth are subject to audit under the Single Audit. For fiscal year 2020, federal expenses increased 58 percent from \$14.7 billion to \$23.3 billion. The increase in expenses resulted in an increase in audit hours, including 400 additional audit hours related to the increase in funding for the Unemployment Insurance (UI) program and 950 hours to audit the new Coronavirus Relief Fund (CRF) and Education Stabilization Fund (ESF) programs created by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Due to subsequent passage of the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 and the American Rescue Plan Act of 2021, and the associated increase in spending related to all three laws, we anticipate an increase of approximately 4,800 audit hours attributable to COVID-19 during fiscal year 2021.

During this challenging time, we have worked closely with the National State Auditors Association to establish weekly sharing calls with other state audit offices related to the UI, CRF, and ESF programs. Representatives from our office regularly participated in the American Institute of Certified Public Accountants Government Audit Quality Center Executive Committee meetings to discuss emerging issues. Additionally, we worked with the Association of Government Accountants to establish a workgroup to review how the federal government could provide higher quality guidance in a timely manner to auditors. To recognize this effort, the National Association of State Auditors, Comptrollers and Treasurers (NASACT) recognized the Audit Director responsible for the Commonwealth's Single Audit, George Strudgeon, with a special recognition award for his outstanding leadership in addressing COVID-19 funding issues on behalf of the government accountability community.

Our testing for the 2020 ACFR and Single Audit resulted in 92 separate findings with recommendations across 24 different entities. As seen in Chart 2, of the 92 findings, 50 findings (54%) are from four entities in the Health and Human Resources secretariat.

ACFR and Single Audit Findings by Entity

Chart 2

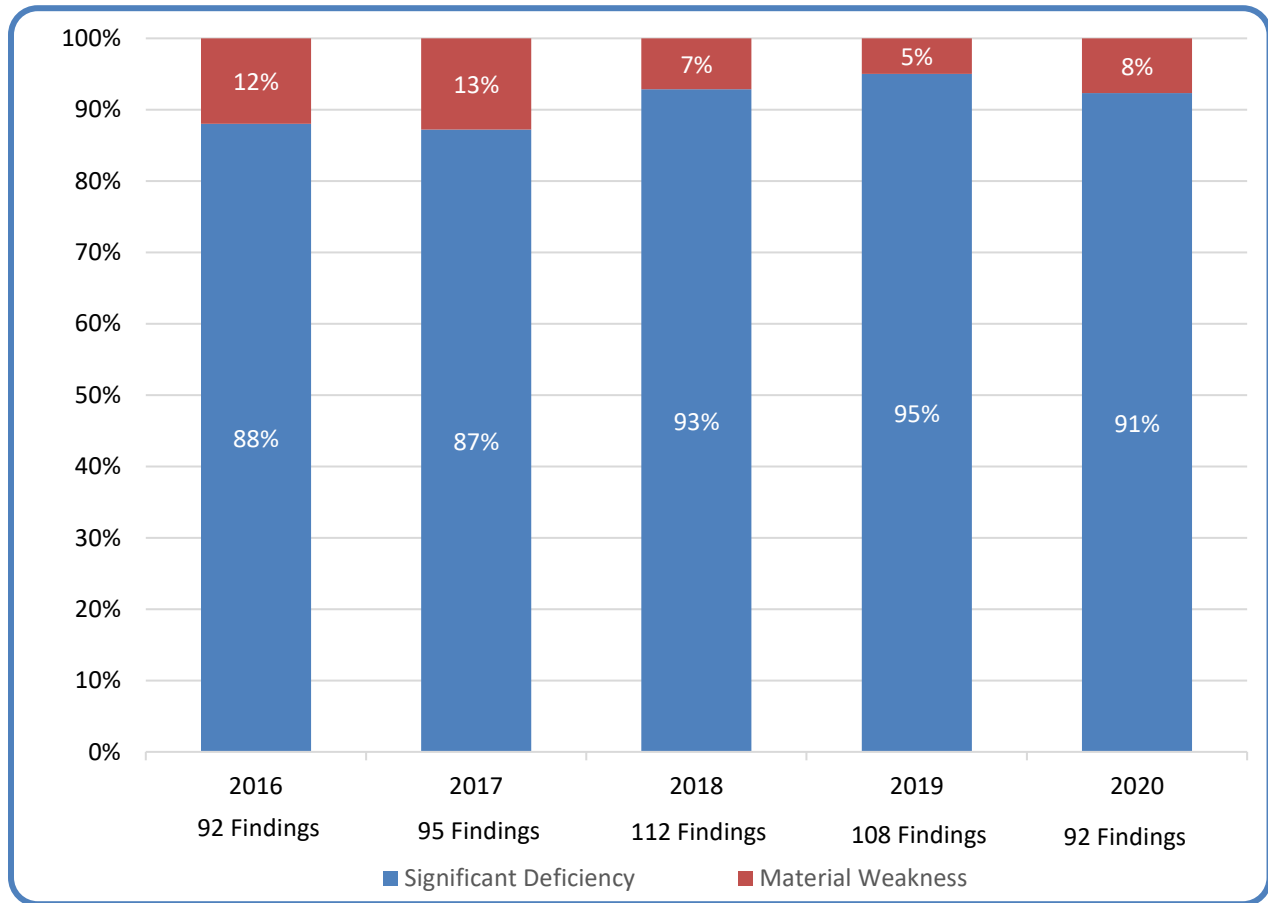


The auditing standards we follow require us to evaluate the severity of each internal control finding and classify them as a significant deficiency or material weakness, with material weakness being the most critical classification. We classify findings as a material weakness when there is a reasonable possibility that a material misstatement of the entity's financial information will not be prevented or detected and corrected on a timely basis due to a deficiency in internal control.

Chart 3, for each year, provides the total number of findings and a breakdown of the severity of the findings reported in the Single Audit for fiscal years 2016 through 2020. While the total number of findings decreased from fiscal year 2019 to 2020, the number of material weaknesses increased by three, from four to seven.

Number and Severity of Findings Reported in the Single Audit Fiscal Years 2016 through 2020

Chart 3



Six entities are responsible for the material weaknesses related to the ACFR. Medical Assistance Services had two material weaknesses with Social Services, Transportation, Behavioral Health and Developmental Services, Health, and Virginia Employment Commission having one each.

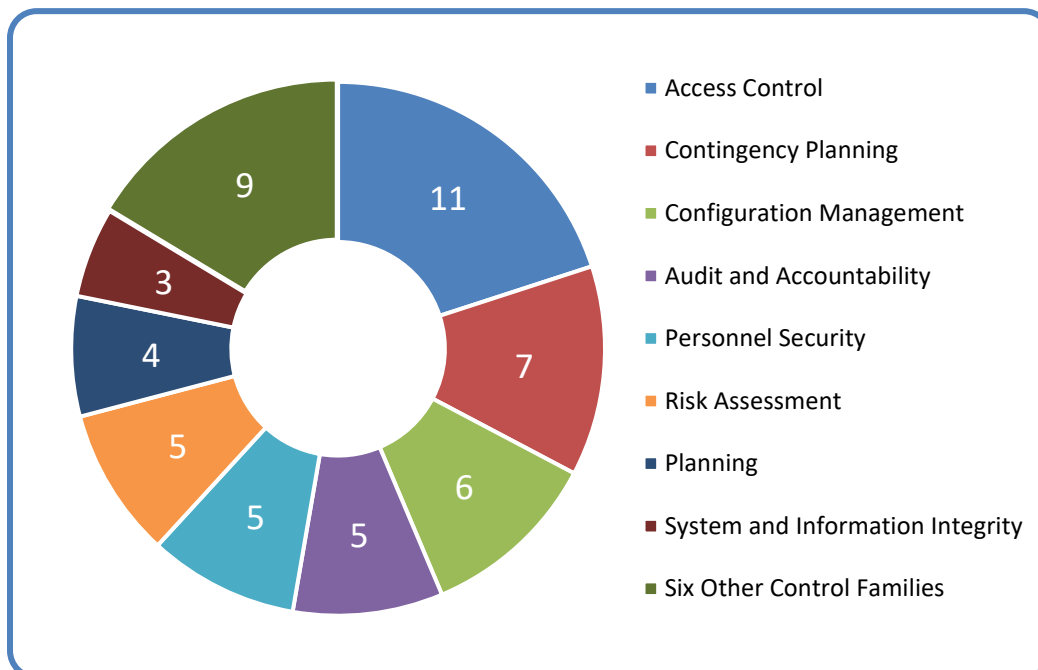
Consistent with prior years, information systems security related findings represent a significant portion of the total findings for the Commonwealth, 35 (or 38%). We review information systems security controls as part of our audits since the information we audit is stored in systems. The specific information security controls that we audit in a particular fiscal year depend on overall audit objectives, scope, and risk. Therefore, we do not audit the same information systems security controls across all agencies in one fiscal year.

Chart 4 below provides more information about the nature of these findings indicating the applicable control family. The Commonwealth of Virginia's Information Security Standard, SEC 501 (Security Standard) adopts the Information System Security Control Families from the National Institute of Standards and Technology (NIST) to categorize controls that the Commonwealth is required to apply to its information systems. According to NIST, a control family "contains security controls related to the general security topic of the family. Security controls may involve aspects of policy, oversight,

supervision, manual processes, actions by individuals, or automated mechanisms implemented by information systems and devices.” Consistent with recent years, access control represents approximately 20 percent of the weaknesses in information systems security.

Information Systems Security Findings by Control Families

Chart 4



Note: Eight findings reported deficiencies with multiple control families. For this graph, the deficiencies are broken-out and included in the total for each control family impacted.

Finally, for additional information about findings, we once again included two listings of all findings in Appendix I of the Single Audit. The first list organizes all findings by topical area, and the second list organizes all findings by the applicable entity. A reader of the Single Audit report can use these lists to analyze audit findings by topical area or agency and to obtain a finding’s number, which the reader can use to locate more information about a finding within the Single Audit report. Access the [2020 Single Audit](#) report on our website.

Pensions and Other Postemployment Benefits Special Reviews

Pensions

In addition to performing the annual audit of the System's financial statements, as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 in fiscal year 2015, which covers accounting and reporting of pension activity by employers, we have continued to include approximately 3,000 additional hours in our annual work plan to audit the requirements of the pension standards. This includes additional hours for the System audit and the individual agency and higher education institution audits.

Our annual work plan increased by approximately 3,000 hours when the Commonwealth implemented new pension standards in fiscal year 2015 and have remained at that level to meet the ongoing needs of employers.

At the System, our annual work includes a review of various schedules prepared by the System's actuary and guidance prepared by the System for use by the Commonwealth's agencies and higher education institutions as well as its localities. We also have to perform additional testing of census data maintained by the System. In addition, at the individual agency and higher education institution audits, we have to perform audit work surrounding the census data they provide to the System and, where applicable, ensure they appropriately report the activity in their individual financial statements. Further, we continue to provide guidance and reporting requirements related to local government audits. See the [Supporting Local Government](#) section of this report for more information on our efforts regarding the Commonwealth's localities.

Postemployment Benefits Other Than Pensions

Similar to the standards addressing accounting and financial reporting for pension plans and pension activity by employers, GASB issued standards for accounting and reporting for postemployment benefits other than pensions (OPEB). GASB Statement No. 75, which covers participating employer

The Commonwealth and its agencies and institutions successfully implemented the new OPEB standard in fiscal year 2018, reporting the full OPEB liabilities in their financial statements for the first time.

accounting and reporting of postemployment benefits other than pensions, was effective for fiscal year 2018. Accordingly, the Commonwealth and its agencies and institutions successfully implemented the new OPEB standards, reporting the full OPEB liabilities in their financial statements for the first time.

The System administers all but one of the Commonwealth's other postemployment benefit plans, including Group Life Insurance, the Retiree Health Insurance Credit Program, the Disability Insurance Trust Fund, the Line of Duty Death and Disability Program, and the Virginia Local Disability Program.

The remaining OPEB program, Pre-Medicare Retiree Healthcare, is administered by the Department of Human Resource Management (Human Resource Management). Some state and local

entities also administer their own plans or participate in plans administered by other entities, and they are responsible for ensuring they comply with the standards related to these plans.

At the System, we continue to include over 1,000 additional hours in the work plan to audit the requirements of GASB Statement No. 75. We also include an additional 600 hours at Human Resource Management to audit the Commonwealth's Pre-Medicare Retiree Healthcare program. We are able to use some work we currently perform over census data on the System, agency, and higher education institution audits related to pensions to support our work over other postemployment benefits. The additional hours for the System and Human Resource Management primarily included review of the other postemployment benefit plan schedules and the related actuary reports. Having now completed these audits with established processes in place, we anticipate a similar number of hours required for the audits of the GASB Statement No. 75 schedules in future work plans.

Pension and OPEB Resources

Annually, the System provides the actuarial valuation reports, schedules of the applicable pension and other postemployment benefit amounts, footnote disclosure information, and other financial reporting guidance to the participating state and local government employers for their financial statements to enable them to comply with GASB Statement Nos. 68 and 75. Likewise, once our work is complete, our Office publishes the reports that include our audit opinions over the plan schedules and applicable pension and other postemployment benefit amounts for the various pension and OPEB plans. All of this information is available on the [Pension and OPEB Standards](#) section of our website. In addition, Human Resource Management provides the actuarial valuation report, schedule of applicable other postemployment benefit amounts, footnote disclosure information, and other financial reporting guidance for the plan it administers to participating employers to enable them to comply with GASB Statement No. 75 when preparing their financial statements. Likewise, once our work is complete, our Office publishes the report that includes our audit opinion over the plan schedule and applicable other postemployment benefit amounts for the Pre-Medicare Retiree Healthcare plan.

Higher Education

During the past year, we completed the fiscal year 2020 financial statement audits related to the Commonwealth's higher education institutions, including the Virginia Community College System and its 23 community colleges, except for the audit of Virginia State University. We completed the fiscal year 2019 audit of Virginia State University during fiscal year 2021 and we expect the fiscal year 2020 Virginia State University audit will be finalized soon. While we issued unqualified opinions on the financial statements of each of these institutions, we included 111 internal control and compliance recommendations distributed between 12 audit reports. Those recommendations addressed a variety of issues as summarized in Table 3 below. Some institutions have multiple findings within a particular category. We classified one finding as a material weakness in internal control and 32 of the findings reported during fiscal year 2020 represent repeat findings from the prior year, including findings where institutions have made limited or partial progress in resolving previous recommendations.

Number of Findings by Category

Table 3

Internal Control and/or Compliance Area	Number of Findings
Federal Student Aid & Grants Management	49
System Access Removal and Employee Separation Procedures	14
Information Systems Security	13
Miscellaneous	7
System Access Provisioning and Segregation of Duties	7
Acquisitions, Contracting, and Disbursements	5
Capital Asset Inventory and Management	5
Payroll, Human Resources, and Benefits	4
Revenue and Cash Collections	3
Conflict of Interest Act Requirements	2
Employment Eligibility	2

As part of our Single Audit of federal funds, we performed follow-up reviews at multiple institutions with previously issued and unresolved findings. We also performed a reaccreditation review at Northern Virginia Community College, agreed-upon procedures required by the U.S. Department of Education as a part of Longwood University's liquidation of its Pekins Loan fund, and additional procedures at 12 higher education institutions over their National Collegiate Athletic Association activities.

PROVIDING INFORMATION TO THE GENERAL ASSEMBLY

Beyond making recommendations for improving internal controls and addressing noncompliance, we look for other opportunities to add value to the Commonwealth. Our reports on the results of audits will often include additional information that we believe will be useful to General Assembly members in the performance of their duties and responsibilities. We present information from Commonwealth, Secretarial, or Agency perspectives depending on the nature of the topic and the type of report being issued.

Being Innovative in our Approach to Non-mandatory Audits

There are approximately 70 agencies that are subject to audit by our Office that do not have a mandatory annual audit requirement and, generally, these agencies do not have financial activity that is required to be audited in support of the ACFR or Single Audit of federal funds. We perform a risk analysis annually for all of the cycled agencies considering certain criteria, including but not limited to, relative

amount of revenues and expenses, results of external reviews such as federal program audits, number and significance of prior audit findings, and turnover in key positions. We also look for unusual trends or changes in financial activity and contact the agency to discuss any recent changes or concerns. Based on this analysis, we divide the agencies into two pools based on the resulting risk rating. These pools are subject to change each year depending on the risk rating. Below we provide additional information on the approaches used for each pool.

Pool I

The agencies in this pool are subject to audit every year under a special project that focuses on one area that is determined to be significant for the agencies in this pool. We determine the specific area of focus based on the results of prior audits and internal control questionnaire results. We use risk analysis to determine which agencies will have detailed procedures completed in this area and will perform limited procedures at the remaining agencies. We issue a comprehensive report at the end of the project detailing the results for the agencies selected for review. During fiscal year 2021, we performed and completed work on our two reports under this approach, where information systems security and capital asset management were the areas of focus. We expect to issue these reports during fiscal year 2022. All agencies in this pool also receive an internal control questionnaire review with an on-site visit to verify controls at least once every three years.

Pool I agencies are subject to audit annually under a special project that is determined to be significant for the agencies in this pool and, also, receive an internal control questionnaire review at least once every three years.

Pool II

We perform an audit of each agency included in Pool II; however, the audit objectives and scope vary from the audits that we have traditionally performed. Generally, agencies classified in Pool II will stay in the audit cycle for a minimum of three years, and we will plan our work accordingly. However, depending on the risk factors that resulted in their inclusion in the pool, some agencies may be in the audit cycle for a shorter period. We use a risk-based approach to determine the scope of the review for each agency selected. Therefore, our reports have a more limited scope, focusing on specific areas that we select for review versus an agency-wide approach. This allows us to cover selected areas in more depth and additional areas that we may not have previously covered as we were focused primarily on significant financial cycles as opposed to those that may have higher risk.

We perform an audit of Pool II agencies; however, the audit objectives and scope are more limited than prior audits.

During the period covered by this report, we issued reports for eight Pool II agencies, the results of which are covered in the [Focusing on the Importance of Internal Controls](#) section below.

Internal Control Questionnaire Reviews

Each year our Office conducts an Internal Control Questionnaire Review project. As noted above, all agencies in Pool I are included in this project at least once every three years. During the review, we send the agency an Internal Control Questionnaire to complete covering significant organizational areas and activities, including payroll and human resources; revenues and expenses; procurement and contract management; capital assets and leases; grant and debt management; and information technology and security. The questionnaire focuses on key controls over these areas and activities.

We review agency responses and supporting documentation and design procedures based on the results. The next step includes an auditor going on-site and validating the responses from the agency. The procedures performed target risks or business functions deemed significant and involve reviewing internal policies and procedures. Depending on the results of our initial procedures, we may perform additional procedures including reviewing evidence to ascertain that select transactions are executed in accordance with the policies and procedures and conducting inquiries with management.

We review agency responses to the internal control questionnaires and design procedures based on the results.

After we complete the on-site review, we provide a letter to management stating the results and highlighting any key areas of interest. In addition, we issue a report with the accumulated results for all agencies after the project is complete. We use the results of this process in our risk-based analysis, which could result in the agency being included in Pool II or identify topics for our special project for Pool I agencies. During the year, we issued a report summarizing the results of the internal control questionnaires. This report is covered below in the [Focusing the Spotlight](#) section of this report.

Focusing on the Importance of Internal Controls

Sound internal control practices are the driving force behind the management of the Commonwealth's resources. Many factors play into an organization's ability to effectively and efficiently design and implement internal controls to minimize the risk of mismanagement and fraud. Over the course of the past year, several of our audits have highlighted the importance of internal control and what can happen when it is lacking. We discuss a few of those reports here.

Disability Service Agencies

Our audit of the [Disability Services Agencies](#) for the fiscal year ended June 30, 2019, includes ten internal control and compliance recommendations, seven of which represent repeat or partially repeated findings from previous audits. The Disability Services Agencies have started meeting and planning to update the memorandum of understanding for administrative services with their service provider agency, the Department for Aging and Rehabilitative Services, but have not completed this process.

Our report covering the Disability Service Agencies includes ten internal control and compliance recommendations, seven of which represent repeat findings from previous audit.

The Virginia Industries for the Blind continues to have an insufficient governance structure to manage and maintain its information security program and does not have the minimum controls required by the Commonwealth's Security Standard over its manufacturing and point-of-sale systems. It does not gain annual assurance that its third-party providers and credit card processors have secure information technology environments to protect its mission critical data for these two systems. Additionally, the Virginia Industries for the Blind continues to experience difficulties in depositing checks and reconciling them timely due to a lack of properly documented policies and procedures. We first issued this recommendation for fiscal year 2014. Aging and Rehabilitative Services and Wilson Workforce Rehabilitation Center do not have proper policies, procedures, and controls over capital assets. In addition, they do not have a policy to capitalize intangible assets, such as internally developed software.

Supreme Court

The [Office of the Executive Secretary of the Supreme Court of Virginia](#) (Executive Secretary) provides information systems security and administrative support for the judicial branch. During our audit of the Executive Secretary for the fiscal year ended June 30, 2019, we issued eight findings, all of which represent repeat internal control and compliance recommendations from prior audits. Most of

The majority of our internal control and compliance recommendations for the Executive Secretary of the Supreme Court relate to strengthening information systems security processes and controls.

these recommendations relate to strengthening information systems security processes and controls. Resource constraints and the demand for information security professionals hampers the Executive Secretary's ability to fill and retain key information security positions; however, retaining a full-time information security officer will be a key component in remediating the additional outstanding information security recommendations. In addition to the information security recommendations, we recommended the establishment of

memoranda of understanding with separate judicial agencies to define the responsibilities of each agency and services provided. Lastly, we recommended the Executive Secretary review and improve its retirement benefits system reconciliation documentation and procedures.

Department of Fire Programs

The fiscal year 2020 audit of the [Department of Fire Programs](#) followed up on over 30 recommendations issued during prior audit reports. In following up on our prior work and evaluating the corrective action implemented by Fire Programs, we considered all but seven of these previously issued findings to be resolved. Half of the remaining recommendations related to information systems security including the risk management and contingency planning process, logging and monitoring controls, and security awareness training. We also issued one new recommendation to ensure that Fire Programs dedicates the necessary resources to complete an upgrade of end-of-life technology.

Fire Programs has resolved many findings from prior year audits, but information security concerns continue to persist.

FOCUSING THE SPOTLIGHT

Special reviews are designed to highlight key areas of risk to the Commonwealth as identified by the Office or driven by specific requests of the legislature. We also use special reviews to provide summary information on select audit areas. The following summaries offer examples of such special reviews performed during fiscal year 2020.

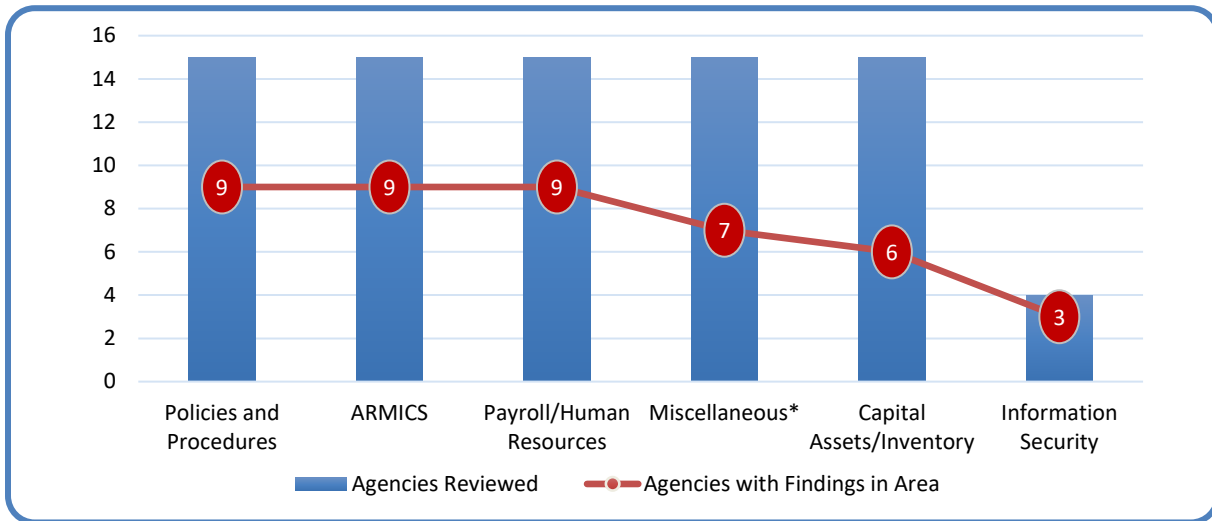
2020 Internal Control Questionnaire Results

Our 2020 Internal Control Questionnaire Results report communicates the overall results of the reviews of internal controls performed primarily during 2020 and highlights the common deficiencies identified across agencies reviewed. As discussed in the [Providing Information to the General Assembly](#) section of the report, annually our Office conducts an Internal Control Questionnaire Review project covering all Pool I cycled agencies at least once every three years. We included 16 agencies in the scope of our review during 2020; however, due to the significant issues noted from the review of the Frontier Culture Museum of Virginia, a separate report was issued for this agency. Of the remaining 15 agencies included in our review, we issued recommendations for improvements in internal controls to 13 agencies. As shown in Chart 5, the areas with the most recommendations were policies and procedures, agency risk management and internal control, and payroll and human resources. Many of these agencies were also included as part of our soon to be issued report of information systems security and as a result, we only reviewed information security at four agencies. The [Internal Control Questionnaire Results Summary](#) is located on our website.

As a result of our internal control questionnaire reviews, we issued recommendations for improvements in internal controls to 13 out of 15 agencies we reviewed.

Frequency of Internal Control Questionnaire Findings

Chart 5



*Miscellaneous areas include financial reconciliations, financial reporting, procurement and contract management, revenues/expenses, grants, debt, and other.

Frontier Culture Museum of Virginia

During calendar year 2020, the Auditor of Public Accounts conducted two separate reviews of the Frontier Culture Museum of Virginia (Frontier Culture): a performance audit of Frontier Culture's information system security controls and an Internal Control Questionnaire review of Frontier Culture's

We determined that the Frontier Culture does not have sufficient policies and procedures over information system security or fiscal and administrative processes.

fiscal and administrative processes. Results of these reviews are generally reported in either a comprehensive report or a letter to management, respectively. However, because of the significance and overlap of the issues identified during these reviews, we prepared a [combined special report](#). During both reviews, we determined that Frontier Culture did not have sufficient policies and procedures, which are the foundation for the internal control environment. In addition, we determined Frontier Culture is not in compliance with several state requirements. The underlying cause of these issues is significant turnover in the last two years.

Revenue Stabilization Fund Calculations

Annually, we issue a report which includes calculations for the Revenue Stabilization Fund as required by Article X, Section 8 of the Virginia Constitution and § 2.2-1829 of the Code of Virginia. As of June 30, 2020, the balance in the Revenue Stabilization Fund was \$558.4 million. During fiscal year 2020, there was a mandatory required deposit of \$262.9 million. This deposit to the Revenue Stabilization Fund was required based on actual tax collections during the 2018 fiscal year. There were no withdrawals from the fund during the year. The General Assembly is required to make a mandatory

deposit of \$77.4 million to the Revenue Stabilization Fund for fiscal year 2021 based on fiscal year 2019 certified tax revenues. Access the [Full Report](#) on our website.

[Revenue Reserve Fund Calculations](#)

During the 2018 session, the General Assembly established the Revenue Reserve Fund. This fund is a special non-reverting fund that the Governor and General Assembly can use to offset certain anticipated shortfalls in revenues when appropriations based on previous forecasts exceed expected revenues in subsequent forecasts. In conjunction with the requirement for our Office to certify tax revenues used in determining if there is a constitutionally required deposit to the Revenue Stabilization Fund, § 2.2-1831.3 of the Code of Virginia requires us to report on the amount that can be paid into the Revenue Reserve Fund. The Code of Virginia also requires us to report the amount by which the fund is below the maximum amount permitted. Our Office issues this report on November 1st of each year, which aligns with the Revenue Stabilization report issuance date. As of June 30, 2020, the balance in the Revenue Reserve Fund was \$513.2 million. The balance of the fund does not exceed the maximum fund allowed. A deposit to the Fund is not required during fiscal year 2022 based on certified tax revenue for fiscal year 2020. Access the [Full Report](#) on our website.

[Review of Chapter 759/769 Bond Issuance Limit](#)

We issued our annual report to satisfy the requirements in Chapters 759/769 of the 2016 Acts of Assembly, Items 10 and 11, by reviewing the annual debt issuance limit established by this legislation and determining compliance with the conditions for the initial release of funding. We found that the Six Year Capital Outlay Advisory Committee is properly monitoring the \$300 million annual debt limit and the Chapters 759/769 project expenses, totaling \$260.2 million, did not exceed the limit during fiscal year 2020. Additionally, the Departments of General Services and Planning and Budget properly submitted quarterly reports during fiscal year 2020 on the status of the completion of the General Assembly Building project to the House Appropriations and Senate Finance and Appropriations Committees. Access the [Full Report](#) on our website.

[Summary Reports of Judicial and State Account Audits](#)

Annually, we issue summary reports related to some of the work we perform over the Commonwealth's court system, as well as state funds collected by local Constitutional Officers. These reports allow stakeholders to more readily identify trends in findings across courts and localities and better understand the financial impact of these findings.

During the past year, we issued the [Virginia District Court System Statewide Report](#) summarizing the findings from our audit of the District Court System for the fiscal year ended June 30, 2019. Our audits resulted in findings in 41 courts, some of which had multiple findings, and we issued repeat findings for 21 District Court audits. The report includes an appendix containing a summary

Annually, we issue summary reports for the work we perform over the Commonwealth's District Courts and state funds collected by local Constitutional Officers to allow stakeholders to identify trends across courts and localities.

of results by court. We also issued our [Report on Collections of Commonwealth Revenues by Local Constitutional Officers](#) for the year ended June 30, 2020, which summarizes the findings we have previously communicated to the individual Sheriffs, Treasurers, and Directors of Finance and the respective local governing body upon completing our individual audits. Our audits resulted in findings at 19 localities. We have listed the findings in the report by constitutional officer and locality. We limited our work in local government to the collection of Commonwealth revenues by Constitutional Officers, excluding Clerks of the Circuit Court, which we audit separately.

[Fiscal Year 2022 Special Review Preview](#)

[New Lease Accounting Standard](#)

In 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, Leases with an original implementation date of fiscal year 2021. However, Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* postponed the effective date of this accounting standard by 18 months. It will become effective for fiscal year 2022 and will significantly change the way governments account for leases. Under the new model, operating and capital leases no longer exist. Governments will report all leases as financing transactions, resulting in recording an intangible asset and a liability for every lease except short term leases (less than 12 months). This standard will dramatically change the Commonwealth's financial statements by increasing the amount of assets and liabilities reported.

Beginning in fiscal year 2022, the Commonwealth will be required to implement a new lease accounting standard. Under the new standard, most of the Commonwealth's \$486 million in operating leases, which currently are not reported as liabilities in the financial statements, will become lease liabilities.

Annually, we audit the Commonwealth's proper recording and reporting for its leases within the Annual Comprehensive Financial Report at the Department of Accounts and the Department of General Services. For fiscal year 2020, the Commonwealth's primary government had \$28.4 million in capital lease liabilities and \$486 million in operating lease commitments, which are not reported as liabilities in the Commonwealth's ACFR. Under the new standard, most of the operating lease commitments will become lease liabilities. This change could potentially impact the Commonwealth's debt capacity model, resulting in a reduced capacity for debt issuance.

The Commonwealth has two systems that state agencies use to account for leases. The Department of General Services manages a system that includes all real estate leases. The Department of Accounts manages a system that includes all other leases, such as equipment leases. GASB Statement No. 87 requires that governments recognize and measure existing leases using the facts and circumstances that exist at the beginning of the period of implementation, which is July 1, 2021, not the inception of the lease. With the postponement of the effective date, the Departments of Accounts and General Services had an additional year to gather data, assess all of its leases, and implement changes to its lease systems by July 1, 2021, to successfully implement the new standard for fiscal year 2022. We continue to monitor both agencies' implementation of GASB Statement No. 87 and will issue status reports if needed.



We are KNOWLEDGEABLE

To ensure that our staff have the knowledge they need to properly perform our audits, we have a formalized training and continuous education program that combines internal and external training. In addition, we continuously follow the activities of various standard-setting and regulatory bodies, providing feedback on proposed changes to help protect the interests of the Commonwealth and its localities and ensure we remain knowledgeable of the standards we must follow in performing our audits and that agencies must follow in accounting for and reporting their financial activity. We share the knowledge we have gained through our training, monitoring, and audit activities with various state, local, and other professional organizations to ensure they are aware of changing accounting standards and federal regulations, activities of our Office, and results of our projects. Participating with these organizations also serves as a great way to gather information to help us continue improving our audits.

Our Commitment to Quality

In April, our Office underwent a peer review of the system of quality control over the work we perform. Every three years our Office undergoes an external peer review to determine whether our Office has an adequately designed internal quality control system and is following that system in the audits we are performing. The purpose of that system is to ensure that we follow applicable standards issued by the American Institute of Certified Public Accountants and the Government Accountability Office when we are performing our audits. We participate in the National State Auditors Association peer review program. Our review is performed by staff from other state audit organizations as well as a representative from the United States Department of Health and Human Services, who reviews the work we perform to support the Commonwealth's Single Audit of federal funds.

The review included audits our Office performed for the period March 1, 2020, through February 28, 2021. We received a rating of pass, which is the highest rating available and indicates that our system of quality control has been suitably designed and complied with to provide reasonable assurance that we have materially complied with applicable auditing standards. The peer review team did not note any issues that rose to the level of a deficiency or finding during the review. The [Peer Review Report](#) is available on our website.

Our Office received the highest rating of pass during our 2021 external peer review, with no issues rising to the level of a deficiency or finding related to the work reviewed.

Ensuring Our Staff are Knowledgeable

Ensuring that our staff have the knowledge and skills they need is one of our top priorities. We have an established training program that provides our auditors with a variety of general and specialized training throughout their careers. New hires receive internal training for the first two years that provides essential auditing and accounting skills and knowledge about the Commonwealth's operations. Our knowledgeable staff develop and present all internal classes.

Our staff remained engaged and knowledgeable through internally provided virtual trainings as we continued to work primarily in a remote environment.

In our continued response to the COVID-19 pandemic, our staff provided and received all internal trainings in a virtual environment. Our staff demonstrated great adaptability by incorporating a variety of techniques to interact with attendees. This included the use of polling questions to assess engagement and content delivery, breakout sessions to allow attendees to discuss course content, and Q&A functionality to deliver on-time questions to presenters. Internal virtual classes remain successful in our Office.

Annually, each auditor receives at least 40 hours of training. After the first two years, staff continue to receive annual training from internal and external sources related to governmental accounting and auditing standards as well as personal development in the areas of supervision and leadership. Some of our key external training providers include Association of Certified Fraud Examiners; Association of Government Accountants; American Institute of Certified Public Accountants; National Association of State Auditors, Comptrollers, and Treasurers; Virginia Government Finance Officers Association; Virginia Society of Certified Public Accountants; and the Virginia Commonwealth University Performance Management Group. In addition, specialized training classes develop staff to have an advanced level of knowledge in their selected area of expertise. We carefully consider the needs of each staff so that everyone does not receive the same training. Instead, our auditors meet semi-annually with their supervisors to develop an individualized training plan for the following year that considers audit experience, expertise, and areas of development in work performance.

As further discussed in the Monitoring Standards and Regulations Section below, we review documents issued for comment by the various standard-setting bodies to stay well-informed of the applicable auditing and accounting standards. In addition, we hold an annual accounting and auditing update for all staff where we have internal and external presenters discuss new and emerging issues related to standards. At our May 2021 standards update, which we held virtually for a second year, we had internal experts discuss new accounting and auditing standards that would affect the upcoming fiscal year 2021 audits and several standards that would become effective over the next several years. They also shared the results of our external peer review and internal quality control reviews to ensure the continued quality of our audit documentation.

Monitoring Standards and Regulations

During the year, our Office reviewed multiple documents issued for comment by the various standard-setting bodies that govern the auditing standards we follow in performing our audits and the accounting standards that Virginia state and local governments must follow when reporting their financial activity. We also reviewed documents issued by federal oversight entities that establish regulations we must follow when auditing federal awards and state and local governments must follow when expending federal awards.

We are proactive in monitoring and providing feedback on the activities of various standard-setting and regulatory bodies to help protect the interests of the Commonwealth.

Being a part of this process allows us to stay informed of upcoming changes so that we can provide technical advice to the General Assembly, state agencies and institutions, and local governments in the Commonwealth. In addition, by providing feedback to the standard-setting and regulatory bodies on proposed changes, we help protect the interests of the Commonwealth in circumstances where we do not agree with the proposed changes. Table 4 summarizes the documents that we reviewed and to whom we provided responses during the year.

Table 4

Standard-Setting Entity	Document Reviewed
AICPA	Exposure Draft: <i>Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement</i>
AICPA	Exposure Draft: <i>Amendments to AU-C Sections 501, 540, and 620 Related to the Use of Specialists and the Use of Pricing Information Obtained From External Information Sources</i>
GASB	Exposure Draft: <i>Recognition of Elements of Financial Statements</i>
GASB	Exposure Draft: <i>Financial Reporting Model Improvements</i>
GASB	Exposure Draft: <i>Implementation Guidance Update - 2021</i>
GASB	Preliminary Views: <i>Revenue and Expense Recognition</i>
GASB	Exposure Draft: <i>Compensated Absences</i>
GASB	Exposure Draft: <i>The Annual Comprehensive Financial Report</i>
NACUBO	Accounting and Reporting Financial Aid as a Discount to Tuition and Other Fee Revenues
OMB	2021 Compliance Supplement
OMB	2021 Addendum 1 to the Compliance Supplement for New and Existing Programs
OMB	2021 Addendum 2 to the Compliance Supplement for New and Existing Programs

AICPA American Institute of Certified Public Accountants
 GASB Government Accounting Standards Board
 NACUBO National Association of College and University Business Officers
 OMB Office of Management and Budget

Consistent with the previous year, our Office provided OMB with formal comments on its proposed changes to federal regulations that will impact Single Audits and grants management at the state and local level. We participated in several rounds of feedback on multiple documents related to the 2021 Compliance Supplement, including two addendums to the Compliance Supplement that OMB is planning to release. The addendums are expected to provide additional guidance for auditees and auditors related to existing and newly created federal programs to address COVID-19. When reviewing these documents, we shared noted changes with the Department of Accounts, to ensure they could make necessary adjustments to ensure the Commonwealth’s compliance with federal requirements. Also, our Compliance Assurance Specialty Team Leader worked with the National State Auditors Association (NSAA) to restructure its three separate discussion groups into one focused group on all aspects of Single Audits.

Our Compliance Assurance Specialty Team Director continued to represent the Commonwealth of Virginia by presenting at this year’s Single Audit Roundtable meeting. At this event, federal officials, a representative from NSAA, representatives from all the major accounting firms, and representatives from a few states’ audit organizations exchanged ideas, problems, solutions, and best practices for performing Single Audits. Additionally, the project manager for our Single Audit of federal funds assisted the Association of Governmental Accountants’ Intergovernmental Partnership in establishing a workgroup of federal and state officials, the American Institute of Certified Public Accountants, and one of its member firms to study and provide recommendations to OMB for improving its Compliance Supplement process.

Sharing Knowledge

We continuously provide information on a variety of topics to various groups throughout the year including General Assembly members, state and local government officials and organizations, higher education groups, and other professional organizations. The following tables highlight the groups to which we provided information and the topics covered during the year.

Table 5

State Government	
College and University Auditors of Virginia (CUAV) Annual Conference Fiscal Officers of Colleges and Universities State Supported	• Provided insight on organizational changes of the Office, the Office’s fiscal year 2022 Work Plan, and results of our fiscal year 2021 audits, including common significant deficiencies and material weaknesses found at higher education institutions. Additionally, discussed the continued impact of COVID-19 on higher education audits, including the increase of audit hours for federal funds received as part of CARES Act funding, and the related impact on the 2021 Single Audit of federal funds.

Table 6

Local Government	
Association of Local Government Auditors Annual Conference	• Co-presented with official from Government Accountability Office (GAO) on Single Audits during the pandemic and provided local government auditors with guidance to consider as new federal funding passes through states to localities.
Richmond Chapter of Government Accountants Spring 2021 Seminar	• Provided a general summary of the Office's fiscal year 2022 Work Plan and recent organizational changes; an overview of the Office's annual local fiscal distress monitoring process and various oversight responsibilities for local governments including audit and reporting requirements; the Comparative Report of Local Government Revenues and Expenditures; and our quality control reviews performed over CPA firms auditing local governments in the Commonwealth.
Virginia Government Finance Officers' Association Spring 2021 Conference	• Provided an overview on the Office's oversight responsibilities for local governments to include various audit and reporting requirements specific to our Audit Specifications, Uniform Financial Reporting Manual, and the Comparative Report process; key changes from the 2020 and 2021 legislative sessions that impact local government audits and financial reporting; an overview and recent results of the Office's quality control reviews over CPA firms auditing Virginia's local governments; and updates on the Office's annual local fiscal distress monitoring process.
Auditor of Public Accounts 2021 Comparative Report Transmittal Training	• Hosted a virtual training to assist localities and their external auditors with preparation of the locality financial data compiled for the Office's annual Comparative Report.

Table 7

Other Professional Organizations	
Association of Government Accountants Professional Development Conference	• Provided insight on the effectiveness of the Single Audit, including improvements to the process, from the perspectives of the federal and state audit community and federal agencies.
Governmental Accounting and Auditing Conference Single Audit Update	• Provided two presentations: the first discussed efforts to modernize collection and dissemination of Single Audit information, including how to access and analyze information by querying the Federal Audit Clearinghouse; the second presentation included a panel of state and local government auditors, GAO, and OMB staff, to discuss the cost/value of the Single Audit and their usefulness to federal agencies.
NASACT Webinar COVID-19 Funding: An Update on Current Issues	• Presented information at national webinar on latest developments pertaining to COVID-19 funding, including providing practical guidance on issues from the perspectives of grantors, grantees, and state/federal auditors.
Single Audit Roundtable (SART)	• Participated in a panel discussion to federal officials on pandemic challenges and other audit issues as a result of new and ever-changing guidance issued by the federal government during the pandemic.
State Comptroller Update	• Provided an update to State Comptrollers on changes by the U.S. Department of Treasury that allowed states to consider non-federal entities as beneficiaries of the Coronavirus Relief Fund as opposed to contractors or subrecipients.

Being Leaders in Our Profession

In addition to making presentations to various state, local, and other groups, our staff also participate in leadership roles in various groups that are opportunities for professional development as well as opportunities to have a voice in the activities that impact our Office and the entities that we audit. Table 8 below contains organizations in which our staff participate in leadership roles. Due to their relevance to the work we perform, in some cases, we have multiple staff involved in a particular committee.

Table 8

Outside Organization	Leadership Role
Association of Certified Fraud Examiners: Central Virginia Chapter	President
Association of Government Accountants: Intergovernmental Partnership Steering Committee	Committee Member
AICPA:	
Awards Committee	Committee Member
Compliance Audit Task Force	Member
Government Audit Quality Center	Executive Committee Member
Governmental Accounting and Auditing Update Conference Technical Committee	Chair
Government Performance and Accountability Committee	Committee Member
Government Finance Officers Association: Industry Working Group on Municipal Market Disclosure	Group Member
NASACT:	
Committee on Accounting, Reporting, and Auditing	Co-Chair and Committee Members
Communications Work Group	Group Member
COVID-19 Accountability Workgroup	Group Member
GASAC Subcommittee	Subcommittee Member
Leases Implementation Work Group	Co-Chair and Members
NSAA:	
Audit Standards and Reporting Committee	Chair and Committee Members
Data Analytics Work Group	Committee Member
Education Stabilization Fund Work Group	Committee Member
Excellence in Accountability Awards Committee	Committee Members
Human Resources Committee	Committee Members
IT Conference Program	Committee Member
Peer Review Committee	Committee Member
Single Audit Committee	Vice Chair and Member

Outside Organization		Leadership Role
VSCPA:		
Accounting and Auditing Committee		Committee Member
Board of Directors		Member
Innovation Advisory Council		Council Member
Young Professionals Advisory Committee		Member
AICPA	<i>American Institute of Certified Public Accountants</i>	
GASAC	<i>Governmental Accounting Standards Advisory Council</i>	
NASACT	<i>National Association of State Auditors, Comptrollers, and Treasurers</i>	
NSAA	<i>National State Auditors Association</i>	
VSCPA	<i>Virginia Society of Certified Public Accountants</i>	



We are PROFESSIONAL

Our mission drives us each day to support the Commonwealth in new and innovative ways. Over the years, we have developed a solid organizational structure of professional staff on which to perform our constitutionally driven responsibilities. To learn more about our structure and the types of individuals that work at the Office, please see our Office Overview document at [Appendix A](#).

A Year of Change

Our Office has undergone several organizational changes over the past year, beginning with the appointment of a new Auditor of Public Accounts, Staci A. Henshaw. Ms. Henshaw was formally appointed to a four-year term as the Auditor on February 1, 2021, after the retirement of Martha S. Mavredes on December 31, 2020. Ms. Henshaw joined our Office in 1994 and served as the Deputy Auditor prior to her appointment.

To further demonstrate our commitment to innovation and the professional development of our staff, the Auditor created two Deputy roles that will assist in championing these efforts. The Deputy Auditor for Human Capital and Operations will work collaboratively with Human Resources and Business Operations to oversee staff recruitment, engagement, and internal knowledge programs; monitor staff audit assignment and evaluation processes; participate in overseeing operational activities; and periodically review and identify opportunities to enhance our staff compensation structure. The Deputy Auditor for Technology and Innovation will collaborate with audit teams to identify innovative audit approaches; oversee implementation of new technologies; and assess opportunities for improving reporting methods, including our external website and Data Point. Lastly, a new audit specialty team, Strategic Risk and Project Management, was created to lead our office's efforts in monitoring risk and operations in the Commonwealth, including the implementation of new statewide information technology systems, to assist in developing our Office's annual work plan.

We Value Our Staff

We recognize that our staff are key to achieving our mission. Therefore, we strive to create a positive work culture that will help us to recruit and retain talented staff. A few of the ways we promote a positive work culture include offering flexible work schedules and teleworking options, having periodic events to recognize staff accomplishments such as employee appreciation and new-hire welcome lunches, and providing APA logo tote bags containing items to enhance their teleworking experience. In addition, due to our continued primary virtual work environment, we leveraged our use of technology to celebrate and share information with our staff, including posting short "how-to" videos to enhance

their use of technology. Using Microsoft Teams and Zoom, we continued to stay in contact with our staff, using the platforms to train, participate in team building exercises, and celebrate the holiday season in creative ways. We also held multiple Officewide meetings throughout the year to update the staff on our continued response to the pandemic and show our appreciation for their hard work.

Maintaining a Positive Work Culture



Because we believe the APA is a great place to work, for the past eight years we have participated in the Richmond's Top Workplaces event sponsored by the Richmond Times-Dispatch and Energage and were recognized as one of Richmond's Top Workplaces. To participate, employers and their employees completed anonymous surveys about their workplace.

In March, as a result of the feedback received from our staff, the Auditor of Public Accounts was recognized as one of Richmond's Top 81 Workplaces in the [Richmond Times-Dispatch](#). This is the eighth consecutive year that we have received this recognition and the APA is one of only nine employers that has been on the list for each of the eight years it has been in existence.

Our staff believe in giving back to the communities in which we live, volunteering with multiple local organizations during the year, including Habitat for Humanity ReStore, Lewis Ginter Botanical Gardens, Maymont Park, and Saint Joseph's Villa. Each of the events provided unique opportunities for staff to give back, including freshening up gardens and grounds of outdoor facilities, to organizing and stocking shelves at the Restore warehouse.

In addition, we provided lunch to all staff as part of participation in Jersey Mike's Day of Giving, where the organization gives all sale proceeds to local charity partners. This was a great way for us to demonstrate our appreciation for the staff, as well as give back to the community. Members of our Human Resources and Business Operations team were strategically placed throughout the City of Richmond and surrounding areas to make this event easily accessible to our staff, while also ensuring our contributions reached a variety of charities.



Continuing Our Strategic Planning Initiative

We continued to make significant progress on the development of our five-year strategic plan which focuses on addressing a digital transformation of our Office and reflects our awareness of the future of the auditing profession. This plan will continue to move our Office forward, as it incorporates our belief in the importance of technology and the need to use technology to innovate the work we do. Under the direction of our internally developed Project Team, our entire office has had some level of involvement with this process, including taking a “Data Analytics for Auditors” training course. Given the organizational changes that took place in our office during fiscal year 2021, we decided to temporarily halt the implementation of our plan during the transition but restarted our efforts in May 2021. Our new goal is to complete our strategic planning process by May 2022.

Administrative and Financial Highlights

Structure and Funding

The Auditor of Public Accounts is a constitutional officer, serving as the external auditor for all non-legislative state entities of the Commonwealth. The General Assembly elects the Auditor to serve a four-year term, and the Auditor reports to the General Assembly through the Joint Legislative Audit and Review Commission. Virginia’s Constitution and the Code of Virginia define the Auditor’s duties. This structure provides independence from the agencies and institutions audited.

We receive approximately 88 percent of our funding from the General Fund of the Commonwealth with the remaining 12 percent resulting primarily from billings for federal, pension, and other postemployment benefits audit work. Additionally, we annually bill and directly deposit revenue into the General Fund for local court and select agency audits, which was approximately \$400,000 during fiscal year 2021. Personnel costs make up approximately 90 percent of our budgeted expenses.

System Upgrade

Under the leadership of our Strategic Risk and Project Management Director, a small team of in-house information technology and audit staff successfully upgraded our internal enterprise resource planning system to the latest version. The upgrade entailed installing and configuring new test and production environments, addressing errors noted prior to go-live, and ensuring system interfaces worked properly. We use this system for accounting, human capital management, and project management including timesheets and billing.

Not only did we save significant costs by using in-house staff, but we also gained knowledge that can translate to our audits. Our internal system is on the same platform as the Commonwealth’s accounting and financial reporting system, and with our upgrade, we are now using the same version. Additionally, we had the opportunity to utilize robotics process automation during the upgrade

to input data and perform other redundant tasks. In the coming year, we will continue enhancing user experience and overall functionality with small improvements to the system.

Recruiting and Retaining Staff

We have continued our efforts to rebuild and maintain our staffing levels as shown in Table 9. While it is our goal to staff to our approved staffing level, we have experienced staff turnover over the years, losing staff to other Commonwealth entities and companies offering higher compensation and additional advancement opportunities, as well as family demands that arose during the COVID-19 pandemic. While we continue to actively recruit new staff, the strong market for accounting and auditing positions has hampered our recruiting efforts.

Table 9

Staffing Overview	
Approved staffing level	136
Actual Staff	
June 30, 2017	126
June 30, 2018	132
June 30, 2019	123
June 30, 2020	120
June 30, 2021	125

We perform many of our audits because they have statutory mandates, support federal regulations, or fulfill bond covenant requirements. Other work performed by our Office, such as maintaining Commonwealth Data Point and performing local fiscal distress monitoring, fulfills additional statutory mandates. Over the last few years, the number of mandatory hours in our work plan have increased related to new standards, regulations, increased federal funding, and legislation, some of which we have discussed in the sections above. Therefore, in recent years, we have had to strategically manage our resources to ensure we accomplish our mandatory work, which has limited the number of new risk-based projects we have performed. We continue to look for new approaches that allow us to be more innovative and efficient in performing our work. To the extent feasible, we continue to build risk-based audits into our work plan and will rededicate staffing resources to these types of audits as they become available.

As it is critical that we build and maintain our staffing level in order to complete our mandated audits and activities, during fiscal year 2020 we reviewed our current compensation and organizational structure and developed some proposed changes to assist us in recruiting and retaining staff. Implementation of the new structure is dependent on our available budget. During the 2020 General Assembly Session, an additional \$325,000 was included in our budget to implement compensation adjustments to address recruitment and retention and the Committee on Joint Rules approved our proposed changes to our compensation and organizational structure in December 2021.

Being Good Stewards

As reflected above, we strive to make the most of our available resources while ensuring we remain good stewards of the Commonwealth’s funds. Table 10 below reflects our budget to actual performance for fiscal year 2021.

Analysis of APA Original and Adjusted Budget versus Actual Expenses by Funding Source
For the Year Ending June 30, 2021

Table 10

Funding Source	Original Budget	Adjusted Budget	Actual Expenses	Variance
General Fund	\$13,076,429	\$13,169,914	\$11,855,795	\$1,314,119
Special Revenue	1,851,284	1,851,284	1,340,508	510,776
Total	\$14,927,713	\$15,021,198	\$13,196,303	\$1,824,895

Our budget to actual variance during fiscal year 2021 was the result of staff turnover and reduced travel expenses as we continued to work in a primary remote working environment. Additionally, as discussed above, our budget was increased to include funding for compensation adjustments for our staff, however the use of the funds was pending approval of our compensation plan from the Committee on Joint Rules during fiscal year 2021. Table 11 below reflects our original budget for fiscal year 2022.

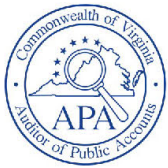
APA Original Budget

For the Year Ending June 30, 2022

Table 11

Funding Source	Original Budget
General Fund	\$13,076,429
Special Revenue	1,851,284
Total	\$14,927,713

In 2022, we will continue to maximize our available staffing resources, so that we may continue the valuable work our Office performs. We also plan to continue our focus on strengthening, building, and retaining our staffing resources, allowing us to address projects resulting from new legislative and regulatory mandates, as well as projects identified through our risk assessment process.



Auditor of Public Accounts Commonwealth of Virginia

Staci A. Henshaw, CPA

Who We Are

OUR
MISSION
*Serving
Virginia citizens
and decision
makers
by providing
unbiased, accurate
information
and sound
recommendations
to improve
accountability
and financial
management of
public funds*

www.apa.virginia.gov

The Auditor of Public Accounts (APA) acts as the General Assembly's eyes and ears, independently monitoring and reporting how state agencies and institutions spend taxpayers' money. The agency helps the Commonwealth's leaders address the challenges facing Virginia today by providing sound, reliable information and alternatives. The Auditor, a constitutional officer elected to a four-year term, reports to the General Assembly through the Joint Legislative Audit and Review Commission (JLARC). While the Auditor's duties are defined by the Virginia Constitution and the Code of Virginia, JLARC approves the [APA Workplan](#) annually.

The APA serves as the external auditor for all independent, judicial, and executive branch state agencies and higher education institutions in the Commonwealth. In many respects, the Auditor's Office operates like a CPA firm, with the Auditor serving as the managing partner.

The APA receives approximately 85 percent of its funding from the General Fund of the Commonwealth with the remaining 15 percent resulting from billings for federal, pension, and other postemployment benefits audit work.

What We Do

The primary focus of the APA is conducting Code of Virginia and federally-mandated audits such as the Commonwealth's Annual Comprehensive Financial Report (ACFR), the Single Audit of federal funds, and the Commonwealth's higher education institutions. We also audit pension and other postemployment benefit amounts used by state and local government employers in preparing their financial statements.

In addition, the Auditor completes a risk assessment of the agencies and institutions not mandated for review and evaluates key issues facing the Commonwealth. Most non-mandated audits and reviews are designed to ensure that an agency has internal controls in place to protect the public's money and that they spend it the way the General Assembly planned. We also evaluate agency and institutional compliance with state and federal laws and regulations. The Office's remaining resources are dedicated to special projects focused on emerging issues that may require General Assembly consideration or action.

Professional, Knowledgeable Staff

We're More Than Auditors

In addition to auditing, APA is charged with:

Maintaining Commonwealth Data Point, an online resource on State spending



Monitoring fiscal distress at Virginia's local governments



Investigating local, agency, and institutional fraud cases



Monitoring major IT projects and contracts



Reviewing all Virginia courts



Overseeing local government audits by public accounting firms



The Auditor's Office is comprised of a diverse group of professionals with a wide range of educational and professional backgrounds in accounting, business administration, finance, and information technology. From CPAs to MBAs to CISAs, our staff hold over 20 different types of professional certifications and are actively involved in relevant professional organizations, such as the National Association of State Auditors, Comptrollers, and Treasurers (NASACT), the Association of Certified Fraud Examiners (ACFE), and the Information Systems Audit and Control Association (ISACA). The office expertise is spread over 11 specialty teams regularly trained in specific skills to help meet the agency's mission covering areas such as capital asset and contract management, higher education programs, information technology, judicial systems, and strategic risk and project management.

How Can We Help?

General Assembly members can request technical assistance from the Auditor's Office in understanding the financial operations of the Commonwealth and its localities. Simply call or e-mail the Auditor with your question or request.

Likewise, state agencies and institutions can make similar requests regarding specific areas of focus for review within their organizations by contacting our office directly.

Our Reports

APA's reports provide process and policy change recommendations to help the Commonwealth avoid costs or enhance its fiscal management of agency programs. Each year in the fall, the APA submits an [Annual Report](#) to the General Assembly, which highlights the previous year's reports and emerging issues. This and all reports issued by our Office since 1998 are available on our website: www.apa.virginia.gov/



Collaborative / Engaged / Knowledgeable / Professional

Auditor of Public Accounts, P.O. Box 1295, 101 N. 14th Street, Richmond, VA 23219, (804) 225-3350

The following is a listing of all reports and letters issued by the Auditor of Public Accounts during the fiscal year ended June 30, 2021. We have organized this section to correspond, where applicable, with the Engaged section of the report. In some cases, audits support multiple aspects of our work plan. For purposes of this section of the report, we have only listed an audit in the most relevant category. An asterisk (*) indicates the report includes audit findings and recommendations.

Agencies, Institutions, and Authorities	
Agency	Audit Period
ACFR and/or Single Audit	
Agencies of the Secretary of Finance*	July 1, 2019, through June 30, 2020
Agencies of the Secretary of Health and Human Resources*	July 1, 2019, through June 30, 2020
Agencies of the Secretary of Transportation*	July 1, 2019, through June 30, 2020
Commonwealth of Virginia Single Audit Report*	July 1, 2019, through June 30, 2020
Department of Corrections including the Virginia Parole Board*	July 1, 2019, through June 30, 2020
Department of Criminal Justice Services – Crime Victim Assistance Federal Program*	July 1, 2019, through June 30, 2020
Department of Education including Direct Aid to Public Education*	July 1, 2019, through June 30, 2020
Department of Emergency Management – Coronavirus Relief Fund	July 1, 2019, through June 30, 2020
Department of General Services’ Division of Real Estate Services*	July 1, 2019, through June 30, 2020
Department of Human Resource Management*	July 1, 2019, through June 30, 2020
Department of Military Affairs*	July 1, 2019, through June 30, 2020
Internal Control Report on Local Government Investment Pool, Virginia College Building Authority, Virginia Public Building Authority, and Virginia Public School Authority	July 1, 2019, through June 30, 2020
Virginia Alcoholic Beverage Control Authority*	July 1, 2019, through June 30, 2020
Virginia Employment Commission*	July 1, 2019, through June 30, 2020
Virginia Lottery*	July 1, 2019, through June 30, 2020
Virginia Retirement System	July 1, 2019, through June 30, 2020

Pensions and Other Post-Employment Benefits Special Reviews	
Commonwealth of Virginia State Health Plans Program for Pre-Medicare Retirees	July 1, 2018, through June 30, 2019
Virginia Retirement System GASB 68 Schedules: Political Subdivision Retirement Plans State Employee Retirement Plan Teacher Retirement Plan	July 1, 2018, through June 30, 2019 July 1, 2018, through June 30, 2019 July 1, 2018, through June 30, 2019
Virginia Retirement System GASB 75 Schedules: Disability Insurance Program Group Life Insurance Plan Line of Duty Act Program Political Subdivision Health Insurance Credit Plans State Health Insurance Credit Plan Teacher Health Insurance Credit Plan	July 1, 2018, through June 30, 2019 July 1, 2018, through June 30, 2019 July 1, 2018, through June 30, 2019 July 1, 2018, through June 30, 2019 July 1, 2018, through June 30, 2019 July 1, 2018, through June 30, 2019
Virginia Retirement System Management's Assertions Related to Census Data	July 1, 2017, through June 30, 2018
Virginia Retirement System Management's Assertions Related to Census Data for OPEB Plans	July 1, 2017, through June 30, 2018
Higher Education	
Christopher Newport University*	July 1, 2019, through June 30, 2020
George Mason University*	July 1, 2019, through June 30, 2020
George Mason University Intercollegiate Athletics Programs	July 1, 2019, through June 30, 2020
James Madison University Intercollegiate Athletics Programs	July 1, 2019, through June 30, 2020
Longwood University*	July 1, 2018, through June 30, 2019
Longwood University Intercollegiate Athletics Program	July 1, 2018, through June 30, 2019
Longwood University Intercollegiate Athletics Program	July 1, 2019, through June 30, 2020
Longwood University Perkins Loan Program Liquidation	As of April 1, 2021
Norfolk State University*	July 1, 2018, through June 30, 2019
Norfolk State University Intercollegiate Athletics Programs	July 1, 2019, through June 30, 2020
Northern Virginia Community College Review Report	July 1, 2019, through June 30, 2020
Old Dominion University	July 1, 2019, through June 30, 2020
Old Dominion University Intercollegiate Athletics Programs	July 1, 2019, through June 30, 2020
Radford University*	July 1, 2019, through June 30, 2020
Radford University Intercollegiate Athletics Programs	July 1, 2019, through June 30, 2020
Report on Compliance – NCAA Subsidy Percentage Requirements	July 1, 2018, through June 30, 2019
The College of William and Mary in Virginia Intercollegiate Athletics Programs	July 1, 2019, through June 30, 2020
University of Virginia*	July 1, 2019, through June 30, 2020
University of Virginia Intercollegiate Athletics Programs	July 1, 2019, through June 30, 2020
University of Virginia's College at Wise Intercollegiate Athletics Programs	July 1, 2019, through June 30, 2020

Higher Education (cont.)	
Virginia Community College System – Workforce Innovation and Opportunity Act Cluster (WIOA)*	July 1, 2019, through June 30, 2020
Virginia Commonwealth University*	July 1, 2019, through June 30, 2020
Virginia Commonwealth University Intercollegiate Athletics Programs	July 1, 2019, through June 30, 2020
Virginia Community College System*	July 1, 2018, through June 30, 2019
Virginia Military Institute*	July 1, 2018, through June 30, 2019
Virginia Military Institute Intercollegiate Athletics Programs	July 1, 2019, through June 30, 2020
Virginia Polytechnic Institute and State University*	July 1, 2019, through June 30, 2020
Virginia Polytechnic Institute and State University Intercollegiate Athletics Programs	July 1, 2019, through June 30, 2020
Virginia Polytechnic Institute and State University Report on Statement of Expenditures	Period Ending December 31, 2019
Virginia State University*	July 1, 2018, through June 30, 2019
Virginia State University Intercollegiate Athletics Programs	July 1, 2018, through June 30, 2019
Pool II Cycled Agency Audits	
Department of Game and Inland Fisheries*	July 1, 2018, through June 30, 2019
Department of General Services*	July 1, 2018, through June 30, 2019
Disability Services Agencies*	July 1, 2018, through June 30, 2019
Review of the Frontier Culture Museum of Virginia*	As of November 2020
Office of Executive Secretary of the Supreme Court of Virginia*	July 1, 2018, through June 30, 2019
State Corporation Commission – Audit of Select Cycles*	July 1, 2018, through June 30, 2019
Virginia Racing Commission*	July 1, 2018, through June 30, 2019
Veterans Services Foundation	July 1, 2018, through June 30, 2019
Internal Control Questionnaire Reviews	
Department of Criminal Justice Services*	As of June 2020
Department of Environmental Quality*	As of July 2020
Department of Forestry*	As of May 2020
Department of Military Affairs*	As of August 2020
Gunston Hall*	As of June 2020
Jamestown-Yorktown Foundation*	As of April 2020
Motor Vehicle Dealer Board*	As of June 2020
Office of the State Inspector General	As of May 2020
State Council of Higher Education in Virginia	As of May 2020
Virginia Correctional Enterprises*	As of June 2020
Virginia Department of Health Professions*	As of May 2020
Virginia Indigent Defense Commission*	As of May 2020
Virginia Museum of Natural History*	As of June 2020
Virginia Tourism Authority	As of May 2020
Virginia Workers' Compensation Commission*	As of May 2020

Other Mandatory or Risk-Based Audits	
Commonwealth Health Research Board	July 1, 2018, through June 30, 2020
Innovation and Entrepreneurship Investment Authority, including its Blended Component Unit, Center for Innovative Technology and Subsidiaries*	July 1, 2018, through June 30, 2019
Office of the Attorney General and Department of Law and Division of Debt Collection*	July 1, 2018, through June 30, 2019
Office of the Governor and the Governor's Cabinet Secretaries*	July 1, 2017, through June 30, 2019
Office of the Lieutenant Governor	July 1, 2017, through June 30, 2019
Potomac River Fisheries Commission*	July 1, 2019, through June 30, 2020
Review of the Rappahannock River Basin Commission Financial Information, and the George Washington Regional Commission	July 1, 2019, through June 30, 2020
Virginia Biotechnology Research Partnership Authority*	July 1, 2019, through June 30, 2020
Virginia Board of Accountancy*	July 1, 2018, through June 30, 2019
Virginia Economic Development Partnership*	July 1, 2019, through June 30, 2020
Virginia Information Technologies Agency*	July 1, 2017, through March 31, 2020
Virginia Lottery – Reports on Applying Agreed-Upon Procedures: Cash4Life Mega Millions Megaplier Power Play Powerball	April 2019 through March 2020 April 2019 through March 2020 April 2019 through March 2020 April 2019 through March 2020 April 2019 through March 2020
Virginia State Bar*	July 1, 2018, through June 30, 2019

Special Reports	
2020 Annual Report of the Auditor of Public Accounts	July 1, 2019, through June 30, 2020
Commonwealth of Virginia General Fund Preliminary Annual Report – Report on Applying Agreed-Upon Procedures	July 1, 2019, through June 30, 2020
Comparative Report of Local Government Revenue and Expenditures	July 1, 2019, through June 30, 2020
Report on Collections of Commonwealth Revenues by Local Constitutional Officers	July 1, 2019, through June 30, 2020
Report to the Joint Legislative Audit and Review Commission	January 1, 2020, through March 31, 2020
Report to the Joint Legislative Audit and Review Commission	April 1, 2020, through June 30, 2020
Report to the Joint Legislative Audit and Review Commission	July 1, 2020, through September 30, 2020
Report to the Joint Legislative Audit and Review Commission	October 1, 2020, through December 31, 2020
Revenue Reserve Fund Calculations	July 1, 2019, through June 30, 2020
Revenue Stabilization Fund Calculations	July 1, 2019, through June 30, 2020
Virginia District Court System	July 1, 2018, through June 30, 2019

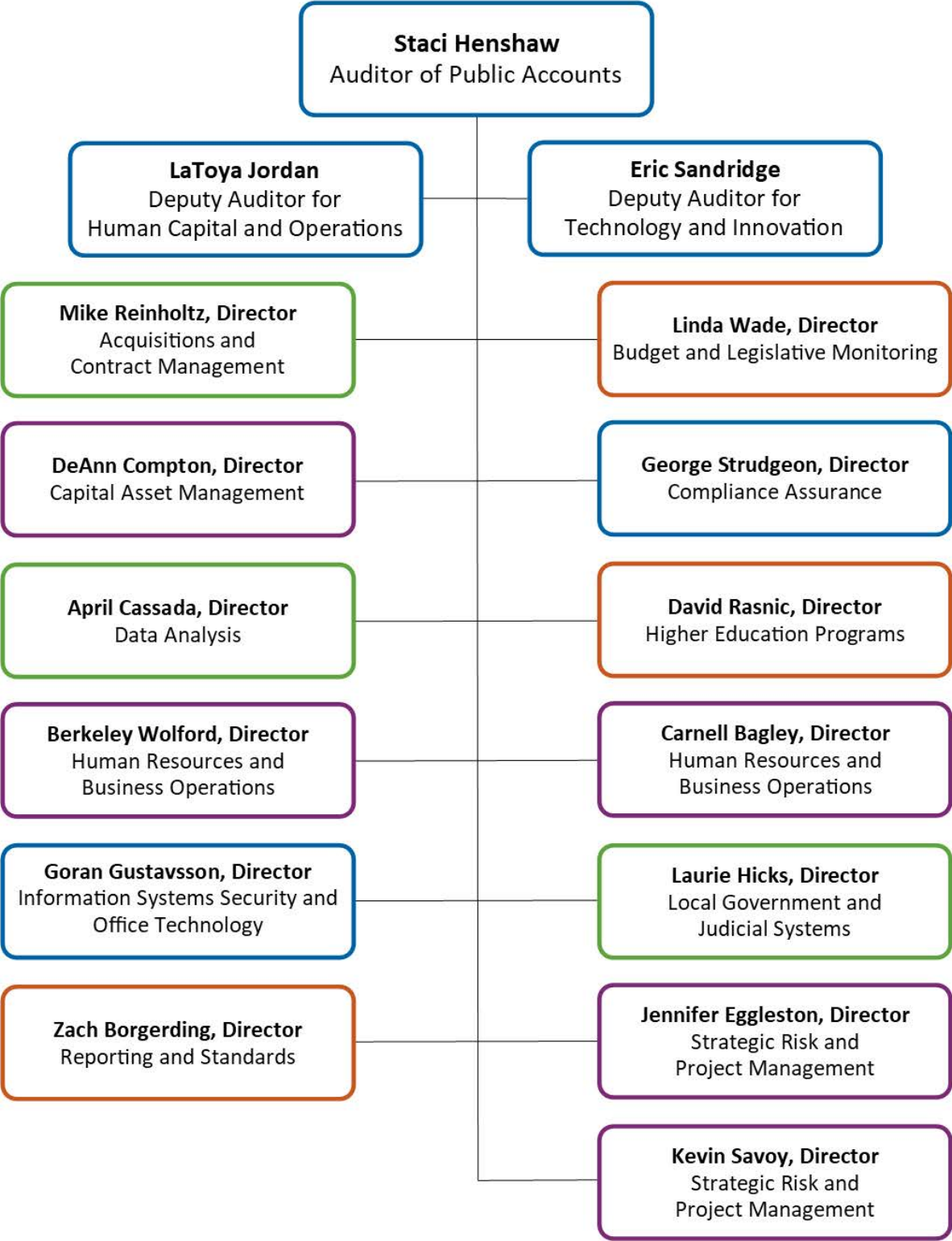
The following lists the general receivers, courts, magistrates, and state account reports issued during the fiscal year ended June 30, 2021. An asterisk (*) indicates the report includes audit findings and recommendations. A hashtag (#) indicates an entity for which we issued two or more reports during the audit period. Resemblance

Judicial and State Accounts			
Circuit Courts			
Accomack*	Floyd	Lynchburg*	Scott
Albemarle	Franklin County*	Mathews	Shenandoah*
Amelia*	Giles*	Middlesex*	Southampton
Arlington*	Gloucester*	Montgomery	Spotsylvania
Augusta	Grayson	Nelson*	Staunton
Buchanan	Greene*	New Kent*	Suffolk
Buena Vista	Halifax	Newport News*	Sussex*
Charles City*	Hampton*	Norfolk	Tazewell
Charlottesville*	Hanover	Orange*	Virginia Beach
Chesapeake*	Highland	Page*	Warren
Chesterfield	Hopewell	Patrick*	Washington*
Colonial Heights	Isle of Wight*	Prince Edward	Westmoreland
Craig*	King and Queen	Radford	Winchester
Culpeper	King George*	City of Richmond	Wythe
Danville	King William*	City of Roanoke	
Dickenson	Lancaster	Roanoke County*	
Essex*	Lee	Salem*	
Circuit Court – Clerk Turnover Audits			
Culpeper	Gloucester	Middlesex	
General Receivers			
Alexandria*	Buchanan	Lynchburg	Wise
Arlington*	Loudoun	Russell	
General District Courts			
Accomack*	Danville	Louisa	Rockingham
Albemarle*	Fairfax County	Lynchburg	Shenandoah
Alexandria*	City of Fairfax*	Mecklenburg	Smyth*
Amherst	Fauquier*#	Newport News*	Spotsylvania
Appomattox	Franklin County	Norfolk	Stafford
Arlington*	Frederick	Northampton	Staunton
Augusta	Fredericksburg	Northumberland	Suffolk*
City of Bristol	Giles	Orange*	Tazewell
Campbell	Gloucester*	Page*	Warren
Caroline	Halifax	Petersburg	Washington*
Carroll	Hampton	Portsmouth	Waynesboro
Charlotte	Isle of Wight	Prince William*	Winchester
Charlottesville	King and Queen	Pulaski	Wise/City of Norton

General District Courts (cont.)			
Chesapeake*	King William	City of Richmond (John Marshall Criminal-Traffic)	Wythe
Chesterfield*	Lancaster	City of Roanoke#	York
Colonial Heights*	Lee	Roanoke County	
Culpeper	Loudoun	Rockbridge	
Juvenile and Domestic Relations Courts			
Accomack	Fauquier*	Mathews	Smyth
Alexandria	Frederick County	Mecklenburg	Spotsylvania
Amherst	Fredericksburg	Middlesex	Stafford*
Appomattox	Giles	New Kent	Staunton*
Arlington*	Gloucester	Newport News*	Suffolk
Augusta*	Halifax	Norfolk	Tazewell
Bedford	Hampton	Northumberland	Virginia Beach#
Botetourt*	Hanover	Orange	Warren
Bristol City	Henrico	Page	Washington
Caroline*	Henry	Petersburg	Waynesboro
Carroll	Isle of Wight	Pittsylvania*	Westmoreland*
Charlotte	King and Queen#	Portsmouth	Williamsburg/James City County#
Charlottesville	King William#	Prince Edward	Winchester
Chesapeake*#	Lancaster#	Prince William*	Wise/City of Norton
Chesterfield	Lee	Pulaski	Wythe
Clarke	Loudoun*	Roanoke City	York
Colonial Heights	Louisa	Rockbridge*	Smyth
Culpeper	Lynchburg*	Rockingham	
Fairfax County*	Martinsville	Shenandoah	
Combined General District Courts			
Alleghany	Dickenson	Greene	Rappahannock
Amelia	Dinwiddie	Greensville*	City of Richmond
Bath	Emporia*	Highland	Russell
Bland	Essex	Hopewell*#	Salem
Brunswick*#	Falls Church	King George	Scott
Buchanan	Floyd	Lunenburg#	Southampton
Buckingham	Fluvanna	Madison	Surry
Buena Vista	City of Franklin	Nottoway	Sussex*#
Charles City County	Galax	Powhatan	
Craig	Goochland	Prince George*	
Cumberland*	Grayson	Radford	

State Accounts			
Accomack	Dickenson	Lancaster	Pulaski
Albemarle	Dinwiddie	Lee	Radford
Alexandria	Emporia	Lexington	Rappahannock
Alleghany	Essex	Loudoun	City of Richmond
Amelia*	City of Fairfax	Louisa	Richmond County
Amherst*	Fairfax County	Lunenburg	City of Roanoke*
Appomattox	Falls Church	Lynchburg	Roanoke County
Arlington	Fauquier	Madison	Rockbridge
Augusta*	Floyd	Manassas Park	Rockingham
Bath	Fluvanna*	Martinsville	Russell*
Bedford*	City of Franklin	Mathews	Salem
Bland	Franklin County	Mecklenburg	Scott
Botetourt	Frederick	Middlesex*	Shenandoah
City of Bristol	Fredericksburg	Montgomery	Smyth
Brunswick	Giles	Nelson	Southampton
Buchanan	Gloucester	New Kent	Spotsylvania
Buckingham	Goochland	Newport News	Stafford
Buena Vista	Grayson	Norfolk*	Staunton*
Campbell*	Greene	Northampton	Suffolk
Caroline	Greensville	Northumberland	Surry
Carroll	Halifax	Norton	Sussex*
Charles City County	Hampton	Nottoway	Tazewell
Charlotte	Hanover	Orange	Virginia Beach
Charlottesville	Harrisonburg	Page	Warren
Chesapeake	Henrico	Patrick	Washington
Chesterfield	Henry	Petersburg*	Waynesboro
Clarke	Highland	Pittsylvania	Westmoreland*
Colonial Heights	Hopewell*	Poquoson	Williamsburg
Covington	Isle of Wight	Portsmouth	Winchester
Craig	James City County*	Powhatan	Wise
Culpeper*	King and Queen	Prince Edward	Wythe
Cumberland	King George*	Prince George	York
Danville*	King William	Prince William	
State Accounts – Turnover Audits			
Albemarle	Henrico	Powhatan	
Emporia	King William#		

Magistrates	
District 1:	City of Chesapeake
District 2:	City of Virginia Beach#
District 3:	City of Portsmouth
District 5:	Cities of Franklin and Suffolk; Counties of Isle of Wight and Southampton
District 7:	City of Newport News
District 8:	City of Hampton
District 10:	Counties of Appomattox, Buckingham, Charlotte, Cumberland, Halifax, Lunenburg, Mecklenburg, and Prince Edward
District 11:	City of Petersburg; Counties of Amelia, Dinwiddie, Nottoway, and Powhatan*
District 12:	City of Colonial Heights; County of Chesterfield
District 13:	City of Richmond
District 14:	County of Henrico*
District 15:	City of Fredericksburg; Counties of Caroline, Essex, Hanover, King George, Lancaster, Northumberland, Richmond, Spotsylvania, Stafford, and Westmoreland
District 17:	City of Falls Church and County of Arlington
District 18:	City of Alexandria
District 19:	County of Fairfax*
District 20:	Counties of Fauquier and Loudoun
District 22:	City of Danville; Counties of Franklin and Pittsylvania
District 23:	Cities of Roanoke and Salem; County of Roanoke
District 25:	Cities of Buena Vista, Staunton, and Waynesboro; Counties of Alleghany, Augusta, Bath, Botetourt, Craig, Highland and Rockbridge
District 26:	City of Winchester; Counties of Frederick, Page, Rockingham, Shenandoah, and Warren
District 27:	Cities of Galax and Radford; Counties of Carroll, Floyd, Giles, Grayson, Montgomery, and Pulaski
District 28 (and certain counties of District 27 and 29):	City of Bristol; Counties of Bland, Russell, Smith, Tazewell, Washington, and Wythe
District 30:	City of Norton; Counties of Buchanan, Dickenson, Lee, Scott, and Wise
District 31:	County of Prince William*
District 32:	Counties of Accomack and Northampton



Acquisitions and Contract Management Mike Reinholtz, Director	
Noah Johnson, Audit Supervisor	Leigh Anne Stacklin, Auditor
Jonathan South, Audit Supervisor	Matthew Waskin, Auditor
Carl Fisher, Senior Auditor	Ashley Christensen, Associate Auditor
Nathan Seifert, Auditor	Jacob Fleetwood-Tambo, Associate Auditor
Budget and Legislative Monitoring Linda Wade, Director	
Duane Miller, Audit Manager	Shaye Doherty, Auditor
Shatima Taylor, Audit Manager	Lauren Kiss, Auditor
Sarah Lambert, Audit Supervisor	Jared Gilbert, Associate Auditor
Elise Nelson, Audit Supervisor	Abby Oren, Associate Auditor
Capital Asset Management DeAnn Compton, Director	
Justin Ferrell, Audit Manager	Grayson Smith, Audit Supervisor
Megan Bridgewater, Audit Supervisor	Betsy Wilson, Audit Supervisor
Katie Collins, Audit Supervisor	Candice Owens, Senior Auditor
Melinda Crawford, Audit Supervisor	Ethan Riley, Associate Auditor
Compliance Assurance George Strudgeon, Director	
Mike Sidell, Audit Manager	Garion Roberts, Auditor
Karine Agabekyan, Senior Auditor	Igor DeOliveira, Associate Auditor
Emily Morones, Senior Auditor	Mason Lewis, Associate Auditor
Shahbaz Aftab, Auditor	John Linkous, Associate Auditor
Caroline Makwara, Auditor	
Data Analysis April Cassada, Director	
Debrah Stafford, Audit Manager	Brian Evans, Associate Auditor
Samantha Boyd, Audit Supervisor	Benjamin Rubert, Associate Auditor
James Bigler, Senior Auditor	Skylar Stebbins, Associate Auditor
Brent Copeland, Senior Auditor	Danielle Tolford, Associate Auditor
Erin Rodriguez, Senior Auditor	Zach Krigelman, Senior Database Administrator
Michael Walsh, Senior Auditor	
Daniel Burris, Auditor	Patrice Mays, Database Administrator
Higher Education Programs David Rasnic, Director	
Jimmy Quesenberry, Audit Manager	Ebony Wilkes, Senior Auditor
Jenny Schoeller, Audit Manager	Valarie Fridley, Auditor
Scott Booker, Audit Supervisor	Justin Rhodes, Auditor
Chuck Schauvliege, Audit Supervisor	Lizzie Swann, Associate Auditor
Meghan Finney, Senior Auditor	David Wagoner, Associate Auditor
Nick Nonnemacker, Senior Auditor	

Human Resources and Business Operations

Carnell Bagley, Director

Berkeley Wolford, Director

Human Resources

Christina Hansen, HR Senior Specialist
Haley Clark, HR Specialist
Rebecca Hackett, Receptionist

Accounting

Shannon Hargitt, Senior Accountant
Ashley Newman, Accountant

Reports and Graphics Division

Chardon Jones, Senior Specialist
Vanessa Scherzer, Senior Specialist

Information Systems Security and Office Technology

Goran Gustavsson, Director

Information Systems Security

Kristina Kemp, Audit Manager
Danese Seabourne, Audit Manager
Jeffrey Rodgers, Auditor
Rhyson Brown, Associate Auditor
Taylor Collins, Associate Auditor

Seneca Durfee, Associate Auditor

Office Technology

Wendi James, Manager
Bob Gibbons, IT Staff
Wendy Hudson, IT Staff
Keith Vollero, SharePoint Administrator

Local Government and Judicial Systems

Laurie Hicks, Director

Rachel Reamy, Audit Manager
Stephanie Serbia, Audit Manager
Randy Johnson, Senior Auditor
Jeannie Kim, Senior Auditor
Katherine St. Lawrence, Senior Auditor

Daniel Stanley, Senior Auditor
Lindsey Tatum, Senior Auditor
Tracy Vaughan, Senior Auditor
Pamela Williams, Senior Auditor

Reporting and Standards

Zach Borgerding, Director

Holly Stout, Audit Manager
Ryan Carter, Audit Supervisor
Reann Chiappinelli, Audit Supervisor
Brian Deveney, Audit Supervisor
Ashley George, Audit Supervisor
Amy Stokes, Audit Supervisor

Susan Bagato, Senior Auditor
Sydney Rampey, Senior Auditor
Crystal Katovsich, Auditor
Theresa Murray, Auditor
Austen Wade, Auditor
William Clymer, Associate Auditor

Strategic Risk and Project Management

Jennifer Eggleston, Director

Kevin Savoy, Director

Lauren Figg, Audit Supervisor
Jeff Finke, Audit Supervisor
Gary Gammon, Audit Supervisor
Briana Gray, Audit Supervisor
Lauren Griemsman, Audit Supervisor
Christian Langston, Senior Auditor

Lindsey Lee, Senior Auditor
Scott Reynolds, Senior Auditor
Gracie Davidson, Auditor
Niamh Haines, Auditor
Kyle White, Auditor
Jailyn Maddox, Associate Auditor