



Presentation of 2022 Annual Work Plan

Review of Prior Year Results

May 3, 2021

Staci A. Henshaw, Auditor of Public Accounts

LaToya Jordan, Deputy Auditor for Human Capital and Operations

Eric Sandridge, Deputy Auditor for Technology and Innovation

Overview

- Office Update
- Proposed 2022 Work Plan
- Prior Work Plan Results

OFFICE UPDATE

Peer Review Results

- Conducted by the National State Auditors Association
- For the period March 1, 2020, through February 29, 2021
- Received highest rating of “*Pass*” on work performed
- No deficiencies included in the report

Organizational Changes

- Changes made to provide focus on areas that are evolving and essential to us in continuing to meet our mission
- New Specialty Team – *Strategic Risk and Project Management*
- Two Deputy positions to champion specific areas:
 - ❖ *Human Capital and Operations*
 - ❖ *Technology and Innovation*

Deputy Auditor for Human Capital and Operations

- Work collaboratively with Human Resources to oversee staff recruitment, engagement, and internal knowledge programs
- Monitor staff audit assignment and evaluation process including the identification of advancement opportunities
- Oversee Office operational activities
- Periodically review and identify opportunities for enhancing the staff compensation structure

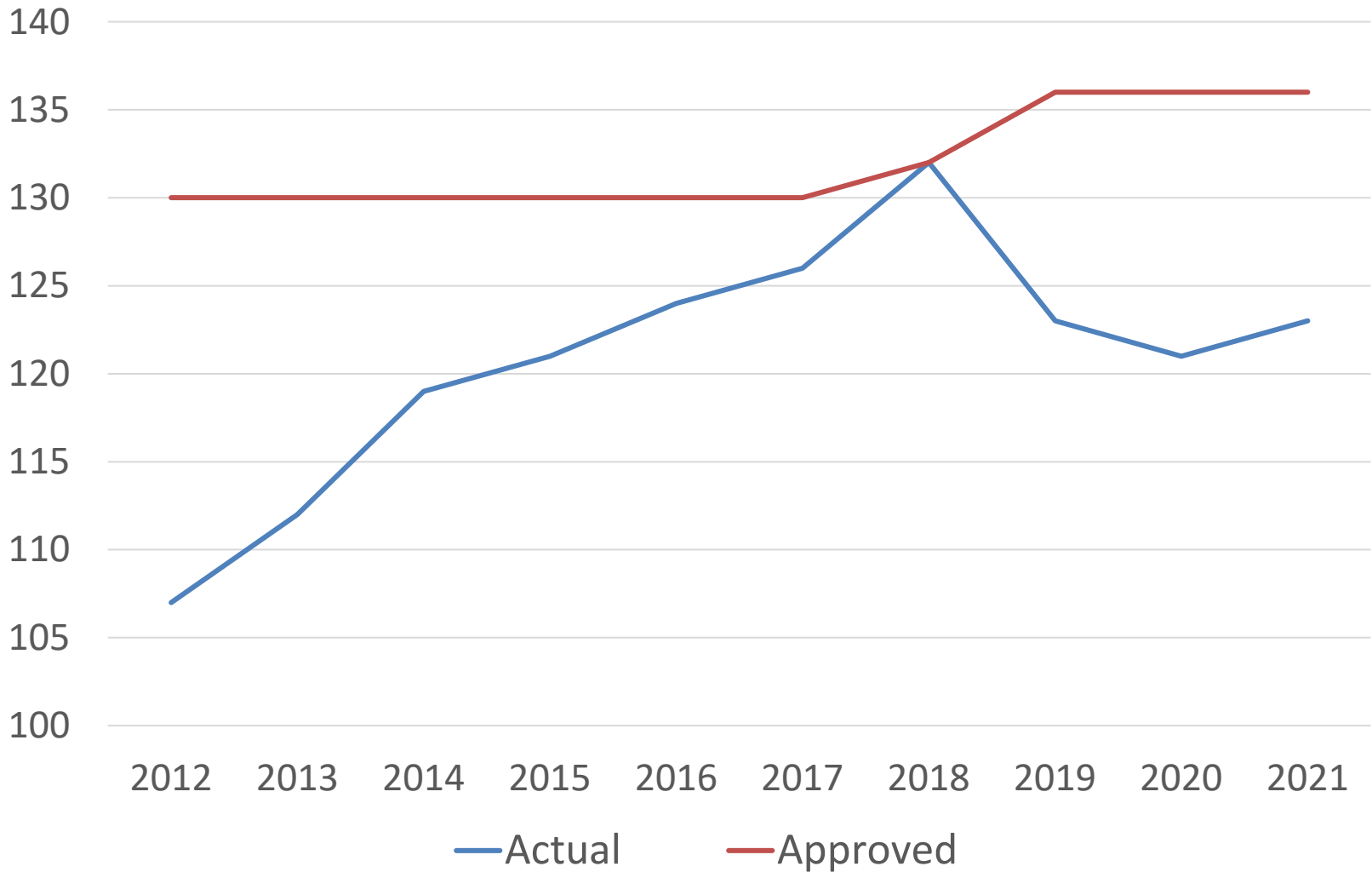
Top Workplace in Metro Area – 8 years running



Richmond Times-Dispatch

**the APA is a 2021 Top
Workplace!**

Staffing Levels



Organizational and Compensation Structure

Chapter 552, 2021 Acts of Assembly, includes \$325,000 in general funds to support new organization and compensation structure

- Increase starting salary
- Additional promotional opportunity
- Increase salary adjustment for becoming licensed Certified Public Accountant

Audit
Manager

Audit
Supervisor

Senior
Auditor

Auditor

Associate
Auditor

Salary Scales



Adjustments reflect salary increase in budget approved by General Assembly



Minimum and maximum scales increase 5% effective June 10, 2021



Bonuses may also be given to reward exceptional performance or passing professional exams



Raises may be given within the salary bands and will follow our compensation plan and budget

Salary Scales

Position	Number of Positions	Salary Scale
Deputy	2	\$105,688 – \$203,811
Project Leader	14	80,907 – 189,305
Auditor	102	53,550 – 126,612
Staff	18	33,338 – 88,934
Total	136	

Deputy Auditor for Technology and Innovation

- Collaborate with audit teams to promulgate crosscutting innovative audit approaches
- Oversee implementation of new technologies and audit approaches and perform post-implementation assessments
- Assess opportunities in reporting methods and mechanisms including APA external website
- Collaborate with Data Analysis team on strategy and processes associated with Commonwealth Data Point

Strategic Planning 2020 - 2025

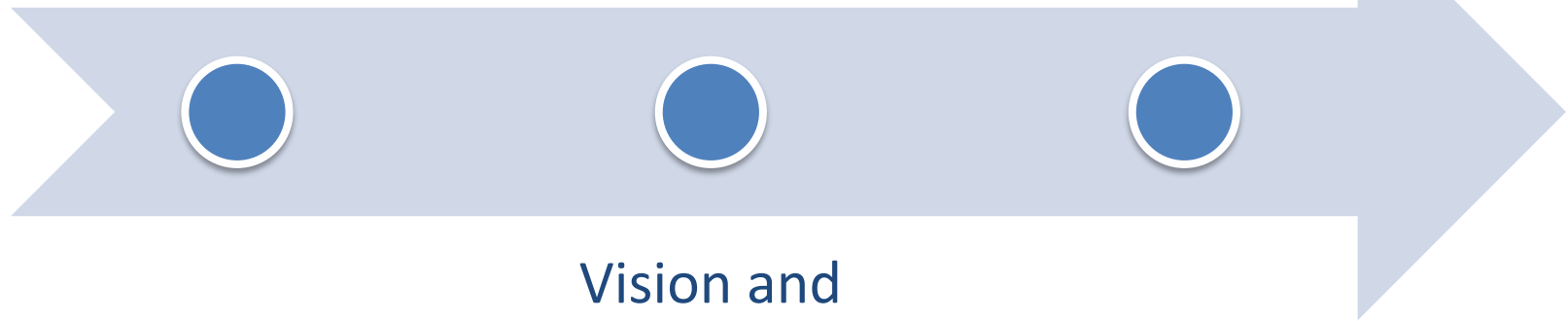
- Objective: Develop a 5-year strategic plan that incorporates specific considerations for
 - Digital transformation of APA services
 - Future of the auditing profession
- Engaged Intraprise TechKnowlogies LLC to consult on development of strategic plan

Strategic Planning Process Timeline

Innovation
Awareness
and Baseline

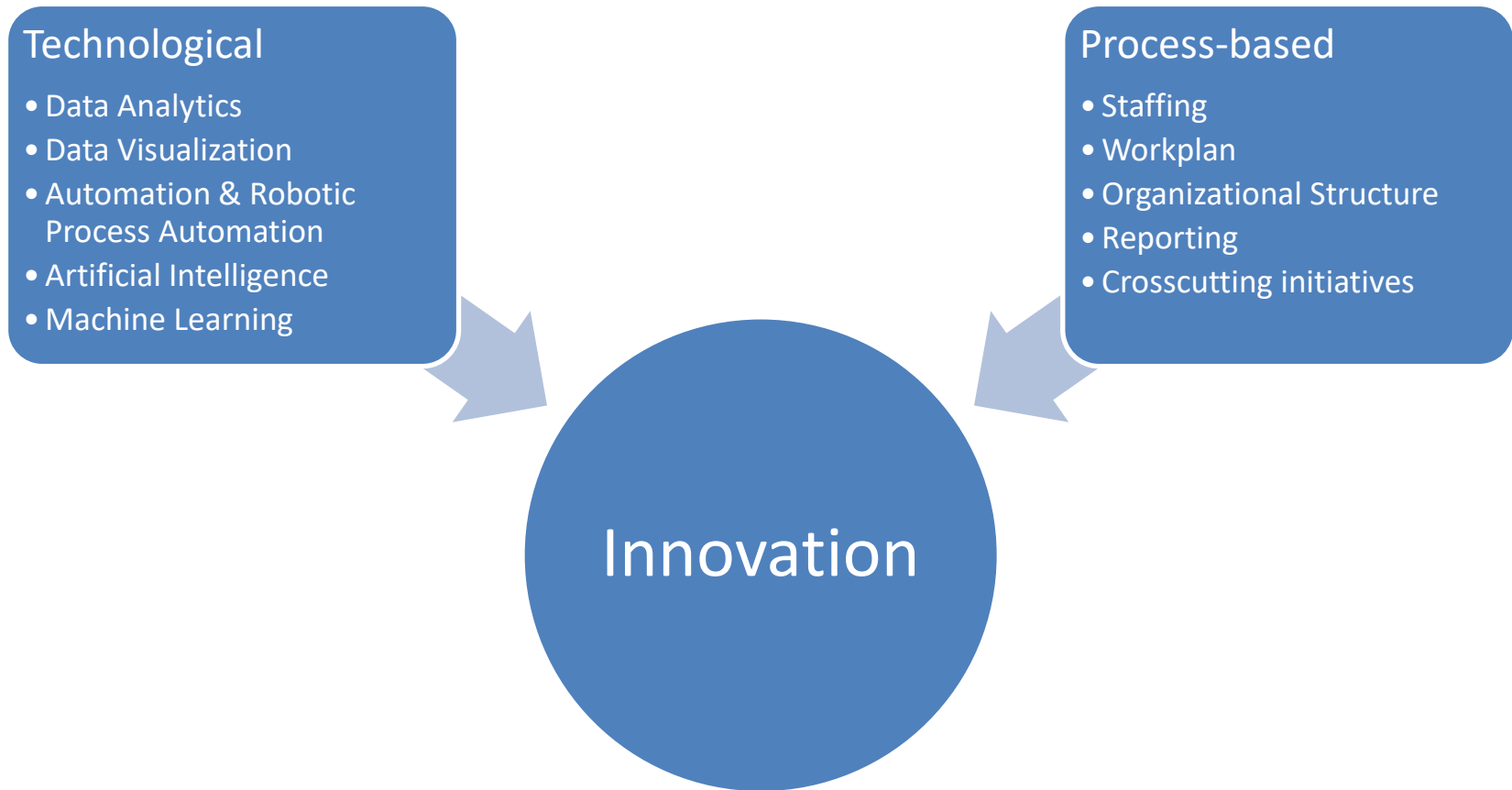
September –
October 2020

Strategic Plan
Development
May – July 2021

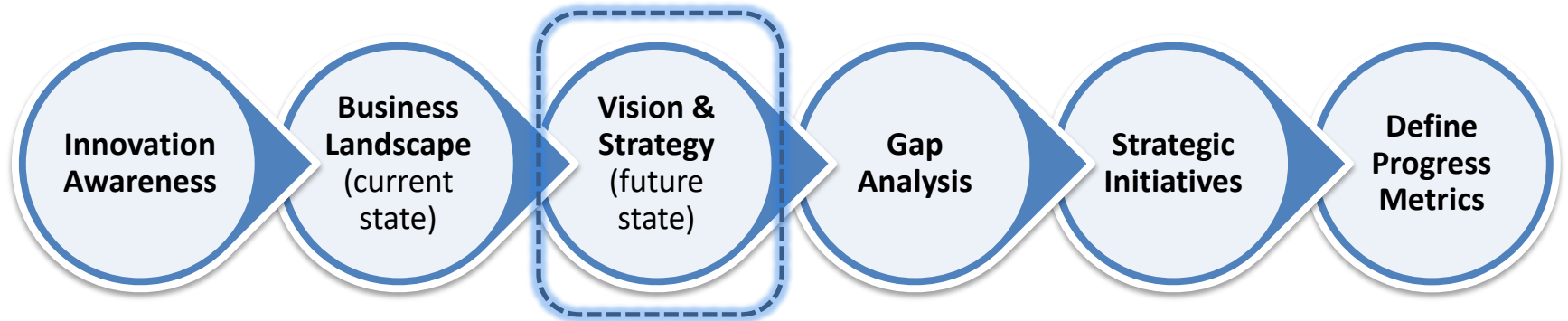


Vision and
Strategy
Development
September 2020
– May 2021

Business Landscape - Opportunities



Strategic Planning Process



PROPOSED 2022 WORK PLAN

Proposed 2022 Work Plan

- Annual work plan = work performed primarily during fiscal year 2022
- ACFR, Single Audit of federal funds, and mandatory projects are major focus
- Use risk factors to determine the audit work to be performed with remaining resources

Work Plan Comparison (hours)

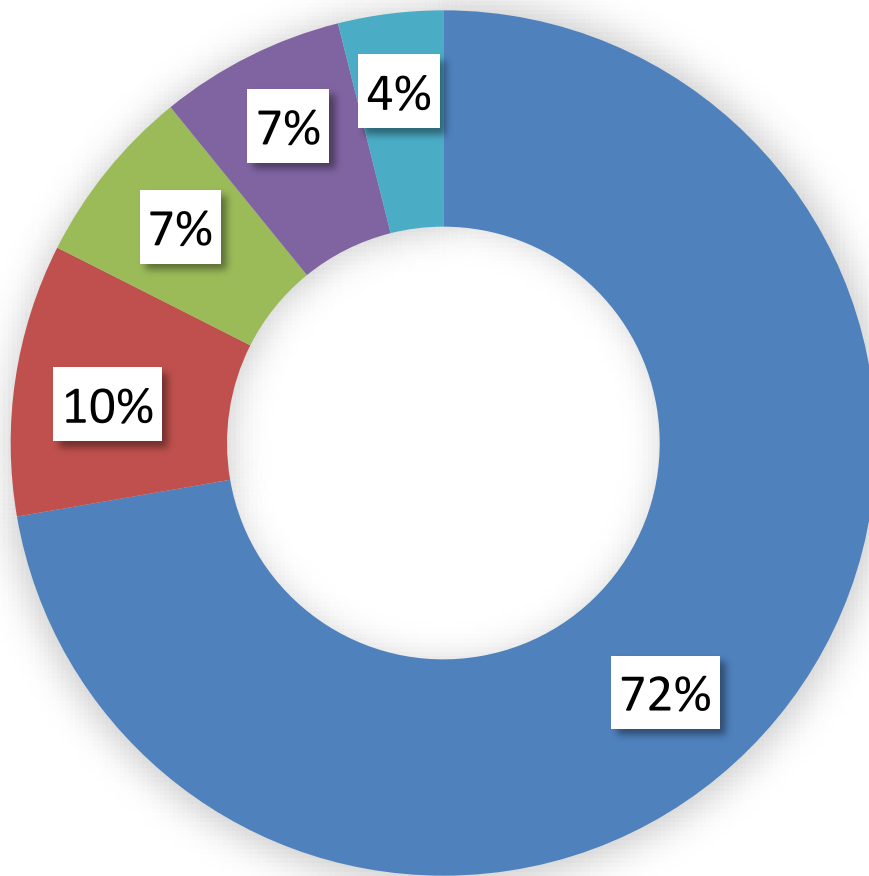
Proposed FY 2022 Work Plan	148,085
Prior Year Work Plan	<u>145,580</u>
Increase	2,505

Changes spread across multiple areas and include increases in some areas offset by decreases in other areas

Total Hours by Function

Function	Hours
Statewide and Agency Projects:	
Special Projects	5,800
Executive Departments	107,035
Cycled Agencies	9,900
Independent Agencies	10,280
Judicial (Agencies, Clerks, and Courts) and Local Governments	15,070
TOTAL 2020 WORK PLAN	148,085

Total Hours by Function



- Executive (excluding cycled agencies)
- Judicial (agencies, clerks, and courts) and Local Government
- Cycled Agencies
- Independent Agencies
- Special Projects

Hours by Executive Departments (Total 107,035)

Department	Hours
Executive Offices and Administration	2,350
Commerce and Trade	3,525
Education	2,475
Education – Higher Education Institutions	55,000
Finance	24,175
Health and Human Resources	11,970
Natural Resources	100
Public Safety and Homeland Security	1,675
Transportation	5,765

Cycled Agencies

- Approximately 70 agencies
 - No mandatory annual audit requirement
 - Generally, do not support the ACFR or Single Audit of federal funds
- This is our fifth year under the new approach for cycled agencies by dividing into two pools based on risk

Cycled Agencies Pools

Risk Analysis – All Cycled Agencies

Pool I – Low Risk

- Special Project on Specific Cycle
- Annual Project
- Single Report
- ICQ

Pool II – High Risk

- Agency Audit of Specific Cycle(s)
- 3 Year Rotation
- Multiple Reports
- ICQ

Types of Special Projects

- Projects Required by Legislation, Statute, or Appropriation Act
- Projects Determined by an Analysis of Risk
- Project Recommendation from JLARC Report

Special Projects: Required by Legislation, Statute, or Appropriation Act - Recurring

- *Commonwealth Data Point* Internet Database
- Local Government Fiscal Distress Analysis
- Review of Chapter 759/769 Bond Issuance Limit

Special Projects: Required by Legislation, Statute, or Appropriation Act – Recurring

- APA Annual Report
- MEI Project Approval Commission
- PPEA Comprehensive Agreement Review
- Review of Performance Measures

Special Projects: Risk Based Analysis

- Capital Project Monitoring
- Fraud Monitoring
- Statewide Analysis of Cardinal

Special Projects: Risk Based Analysis

- Comparative Report for Higher Education
- Progress Report on Selected Systems Development Projects in the Commonwealth
- Review System Implementation for GASB 87 Leases

Special Projects: Recommendation from JLARC Report

- Review of Coordination and Benefit Calculation for Disability Related Employee Benefit Programs
- Recommendation from 2019 Virginia's Workers' Compensation System and Disease Presumptions Report
- Will review benefit calculations for workers' compensation and VSDP programs and identify opportunities to better coordinate payments between these programs

Requested Action

- Approval of the Proposed 2022 Work Plan
- Approval of Salary Scales

PRIOR WORK PLAN RESULTS

Comparative Report of Local Government

- 2020 Draft report published on February 15
 - Missing data and financial reports for 20 localities at this date
- Locality reporting delays impact completion of our review process over data for final report issuance
- Final Comparative Report issued end of April 2020
 - Missing data for 6 localities: Cities of Emporia and Hopewell; Counties of Bedford, and Lee; and Towns of Colonial Beach and Rocky Mount
 - Will issue an amended report later this year to include missing localities once we receive their submissions

Locality Reporting Submissions

Financial Reports	Filed by 11/30; 12/15*	Filed by 2/1; 2/15*	Filed after 2/1; 2/15*	Pending
FY2020*	125	23	17	6
FY2019	113	37	20	1
FY2018	97	51	22	1

Transmittals	Filed by 11/30; 12/15*	Filed by 2/1; 2/15*	Filed after 2/1; 2/15*	Pending
FY2020*	136	15	14	6
FY2019	146	9	15	1
FY2018	146	14	10	1

City of Hopewell has not yet submitted its financial reporting for FY2018, FY2019, and FY2020.

*The 2020 Acts of Assembly changed the locality reporting deadline from 11/30 to 12/15, and the Office's Comparative Report deadline from 1/31 to 2/15.

Local Fiscal Distress Monitoring Model

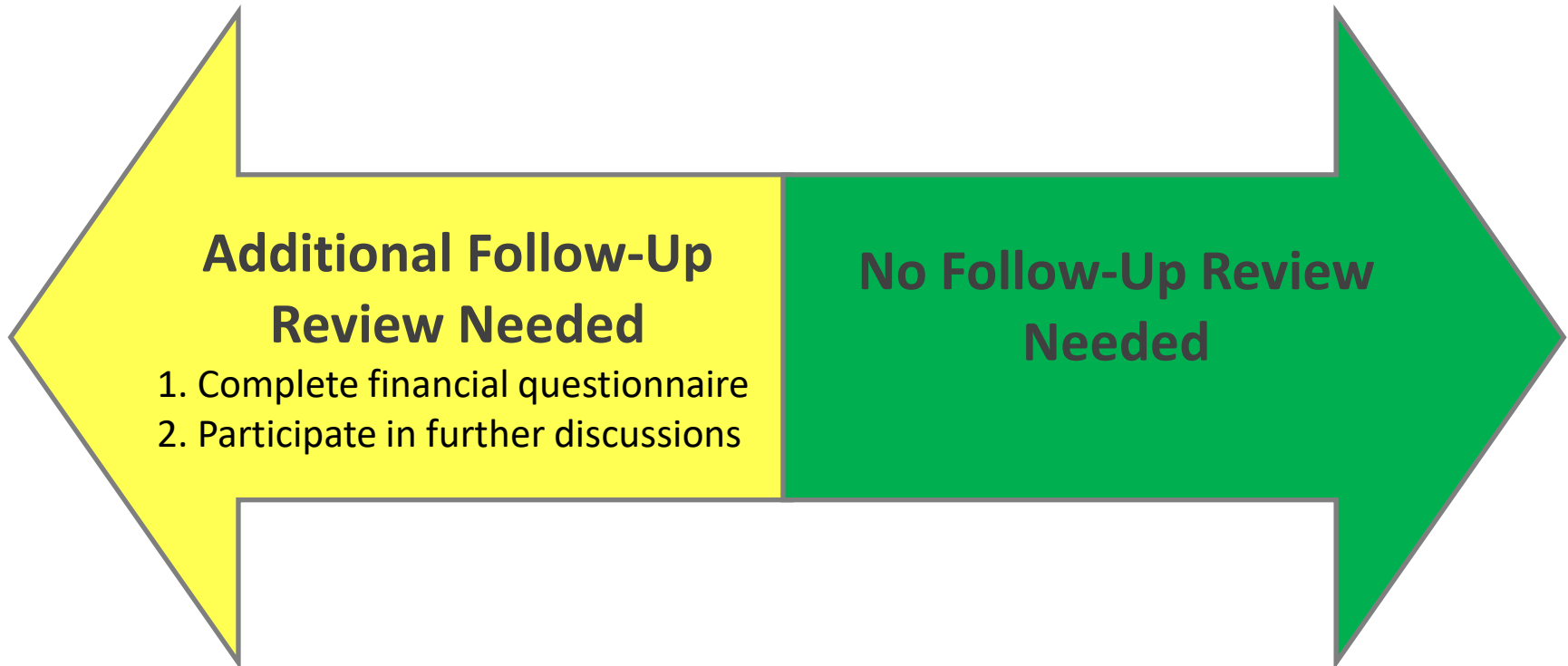
- Monitoring process initially established at Chapter 836 of the 2017 Virginia Acts of Assembly, Item 4-8.03
- During 2018, refined our monitoring model
 - No longer using initial Financial Assessment Model (FAM) ranking methodology where we compared data among localities

Current Methodology and Model

- Individually analyze each locality's financial ratios
- Assign a points-based measure based on performance results of each ratio
- Higher number of points indicate locality is showing weak/undesirable performance in ratios
- Include second assessment of demographic, qualitative, and other external factors

Fiscal Distress Monitoring Process

Qualitative Measure for Preliminary Identification



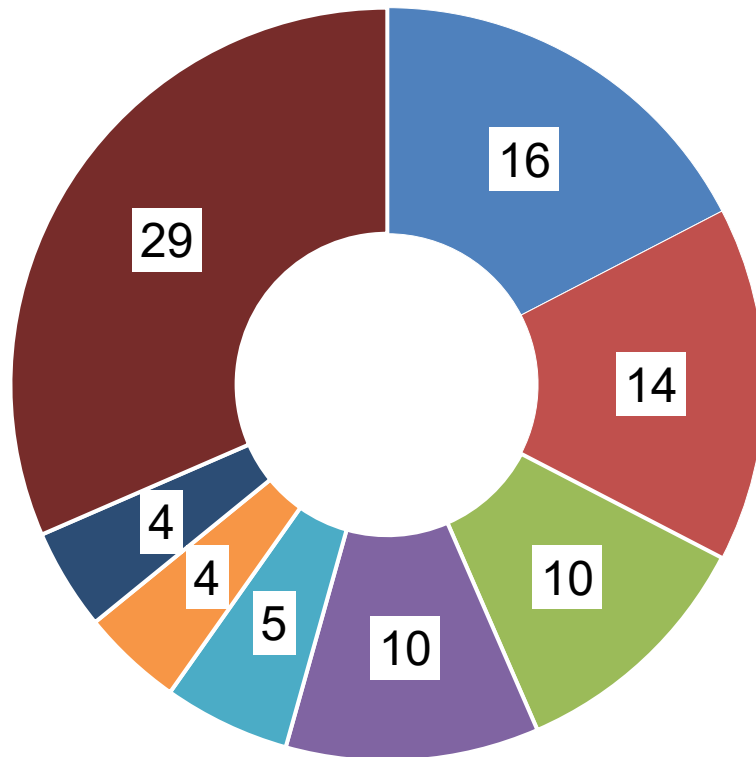
Current Status of Monitoring Process

- Released 3rd annual report as of April 2020
 - No new localities were identified in the 2019 analysis
- The City of Bristol no longer designated in a situation of fiscal distress due to city's continued improvements
- Currently finalizing FY19 and FY20 ratio and qualitative analyses
 - Identified City of Buena Vista due to significant downward trends in FY19 and FY20 ratios
 - City of Hopewell again qualitatively identified due to continued delays with completing FY18, FY19, and FY20 audits and financial reports

Monitoring for Impact of COVID-19

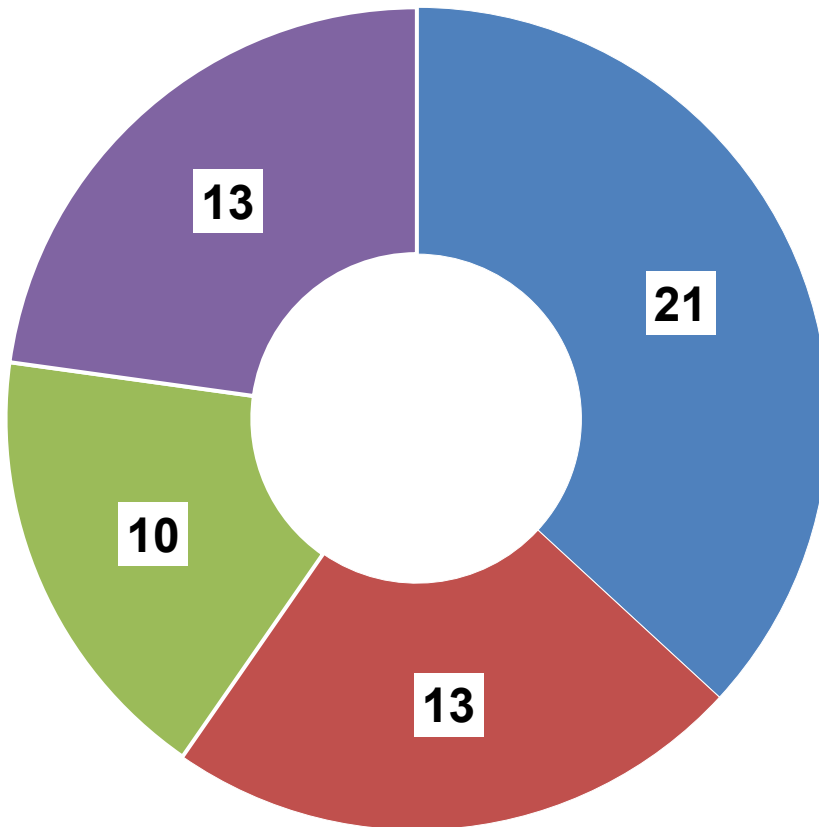
- Continue to monitor existing ratios that measure available reserves and sufficiency of revenues
- Consider increase in COVID-19 expenditures relative to Federal aid localities received
- [Commission on Local Government's July 2020 Local Vulnerability Analysis](#) incorporated into analysis
 - Report analyzes other indicators in addition to the Commission's Fiscal Stress Index to identify locality specific impact from COVID-19
- Monitor locality specific qualitative factors on a case-by-case basis

ACFR and Single Audit Results



- Department of Behavioral Health and Developmental Services
- Department of Social Services
- Department of Health
- Department of Medical Assistance Services
- Department of Taxation
- Virginia Alcoholic Beverage Control Authority
- University of Virginia-Medical Center
- Seventeen Other Entities

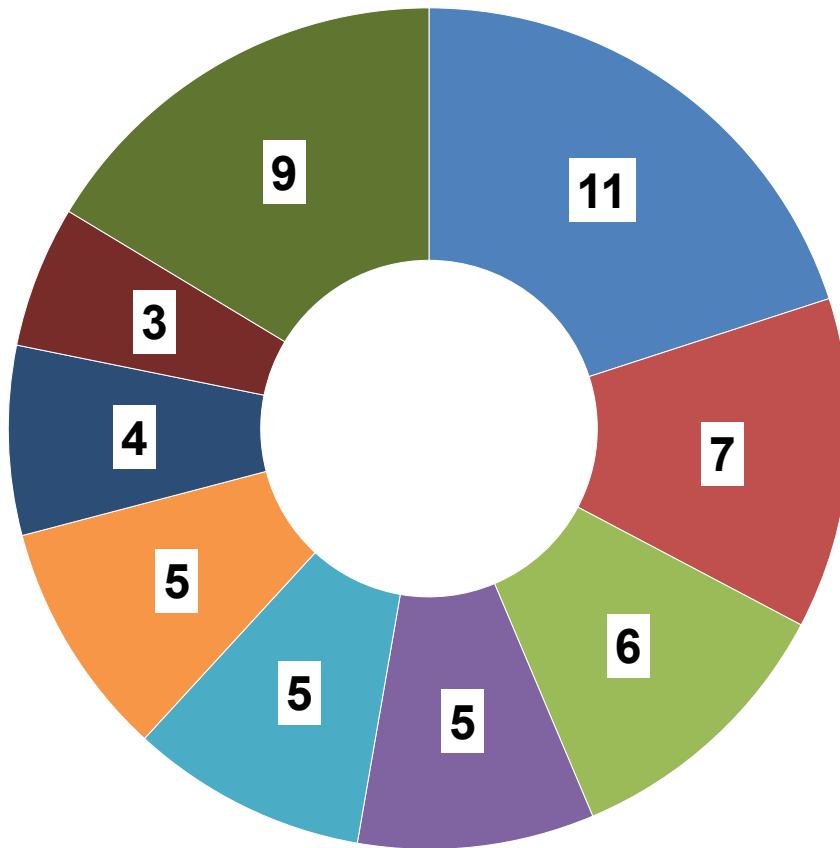
ACFR and SSA Results – Non IT Issues



- Other Grants Management and Federal Award and Questioned Costs
- Financial Accounting and Reporting
- Human Resources and Payroll
- Seven Other Topics

ACFR and SSA Results – IT Issues

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



- Access Control
- Contingency Planning
- Configuration Management
- Personnel Security
- Risk Assessment
- Audit and Accountability
- Planning
- System and Information Integrity
- Six Other Control Families

Increase in Audit Effort as a Result of Federal COVID Funding

- Federal expenditures increased 58 percent from \$14.7B to \$23.3B between FY19 and FY20
- Programs that required additional testing:
 - Unemployment Insurance, \$4.6B increase in federal funding
 - Coronavirus Relief Fund, \$0.8B in new federal funding
 - Education Stabilization Fund, \$0.1B in new federal funding

Unemployment Insurance (UI)

- Because of program changes, APA was required to audit UI as a major program in 2020 (last audited in 2019)
- We had three audit findings for the UI program, including one material weakness
- Resulted in 400 additional hours (21% increase) to address increased risk
- Federal regulations will require the APA to audit UI as a major program again for 2021

Coronavirus Relief Fund (CRF)

- Required to audit as major program because was new and had expenditures above threshold set by federal regulations
- Resulted in about 250 additional audit hours at two agencies (Departments of Accounts and Emergency Management)
- Federal regulations will require the APA to audit CRF as a major program again for 2021
- Since more agencies have spent from CRF during 2021, we anticipate about 1,110 hours of additional work at seven agencies

Education Stabilization Fund (ESF)

- Required to audit as major program because was new and had expenditures above a threshold set by federal regulations
- Resulted in about 700 additional audit hours at eleven Higher Education Institutions
- Federal regulations will require the APA to audit ESF as a major program again for 2021
- Hours will depend on how the funds are disbursed in the Commonwealth

Staying Current on New and Changing Requirements

- Worked with the National State Auditors Association to establish three weekly information sharing calls with other state audit offices related to UI, CRF, and ESF
- Continue to attend AICPA Governmental Audit Quality Center Executive Committee weekly meetings
- Worked with the Association of Government Accountants to establish a workgroup to look at how the federal government could provide higher quality guidance in a timely manner to auditors

Additional Hours in 2022 Work Plan Related to COVID-19

Federal Program, Cluster, or Fund	Hours
Coronavirus Relief Fund	1,100
Education Stabilization Fund	700
Unemployment Insurance	400
Aging Cluster	400
Emergency Rental Assistance Program	250
Food Distribution Cluster	250
Disaster Grant	250
Provider Relief Fund	75
American Rescue Plan Act Programs Reserve	1,400
Total additional hours related to COVID-19	4,825

Unknowns of the American Rescue Plan Act

- There are multiple new programs within the American Rescue Plan Act with substantial funding that, based on the amount and timing of expenditures, could result in additional audit hours

Higher Education Financial Statement Audit Results

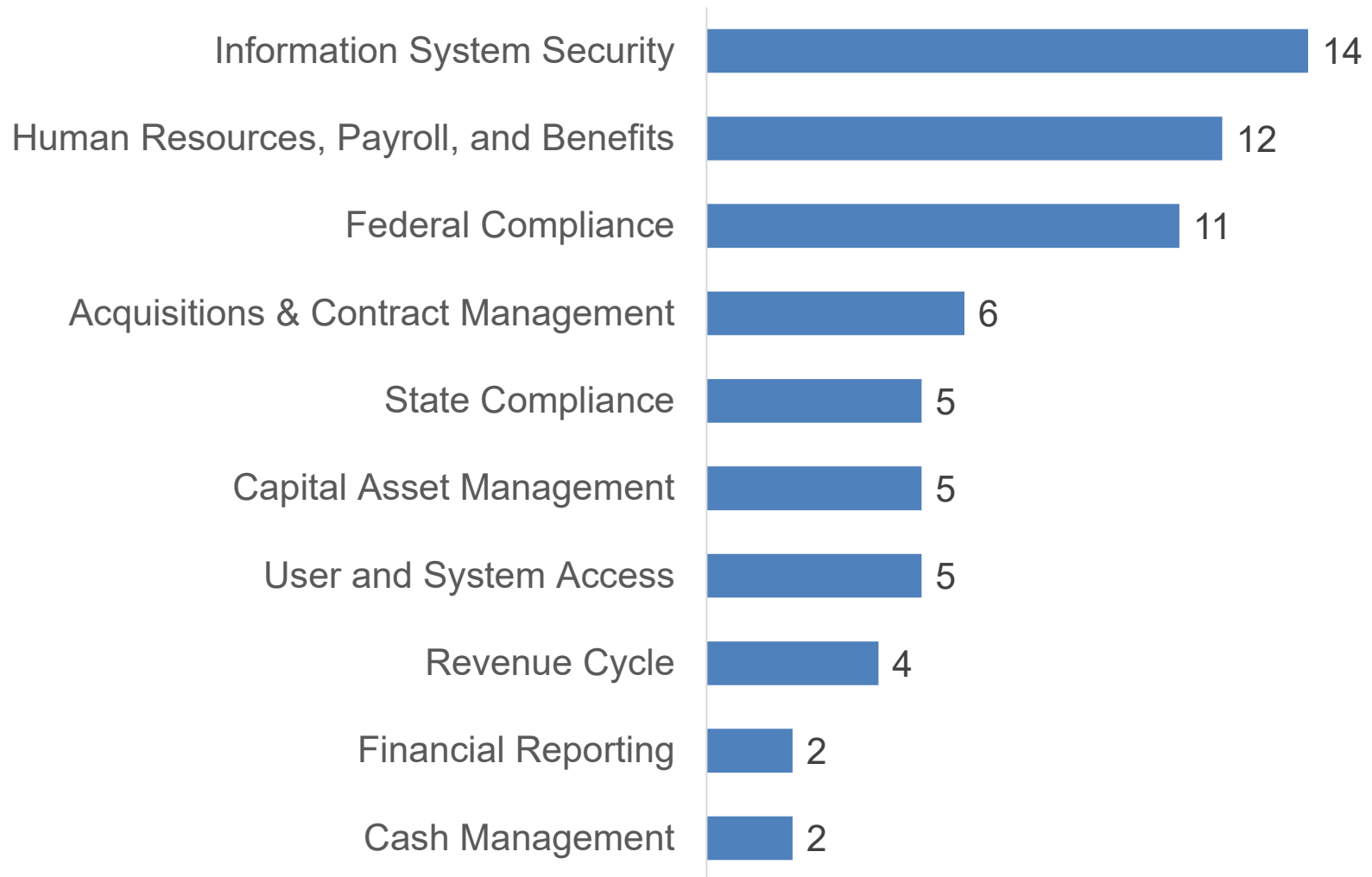
- Material Weaknesses
 - Longwood University (2), Virginia State University (1)

- Significant Deficiencies
 - 63 across 20 institutions

Higher Education Institution Material Weaknesses

- Longwood University
 - Continue to Improve Financial Reporting Processes (repeat)
 - Continue to Strengthen Internal Controls over Capital Assets (partial repeat)
- Virginia State University
 - Match Federal Grants with Qualifying State Expenses

Higher Education Institution Findings by Area



Other Higher Education Reports

- Issued report on Compliance with NCAA Subsidy Percentage Requirements (§ 23.1-1309) as of June 30, 2019
 - One institution non-compliant (NSU)
- Flexibility related to generated revenue addressed by the General Assembly in Chapter 552 (item 262.80)

QUESTIONS?