



**Presentation of 2024 Annual Work Plan**  
**Review of Prior Year Results**  
**May 15, 2023**

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LaToya Jordan, Deputy Auditor for Human Capital and Operations

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# Overview

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- Human Capital and Strategic Initiative Update
- Proposed 2024 Work Plan
- Prior Work Plan Results

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# **HUMAN CAPITAL AND STRATEGIC INITIATIVE UPDATE**

# Top Workplace in Metro Area – 10 years running

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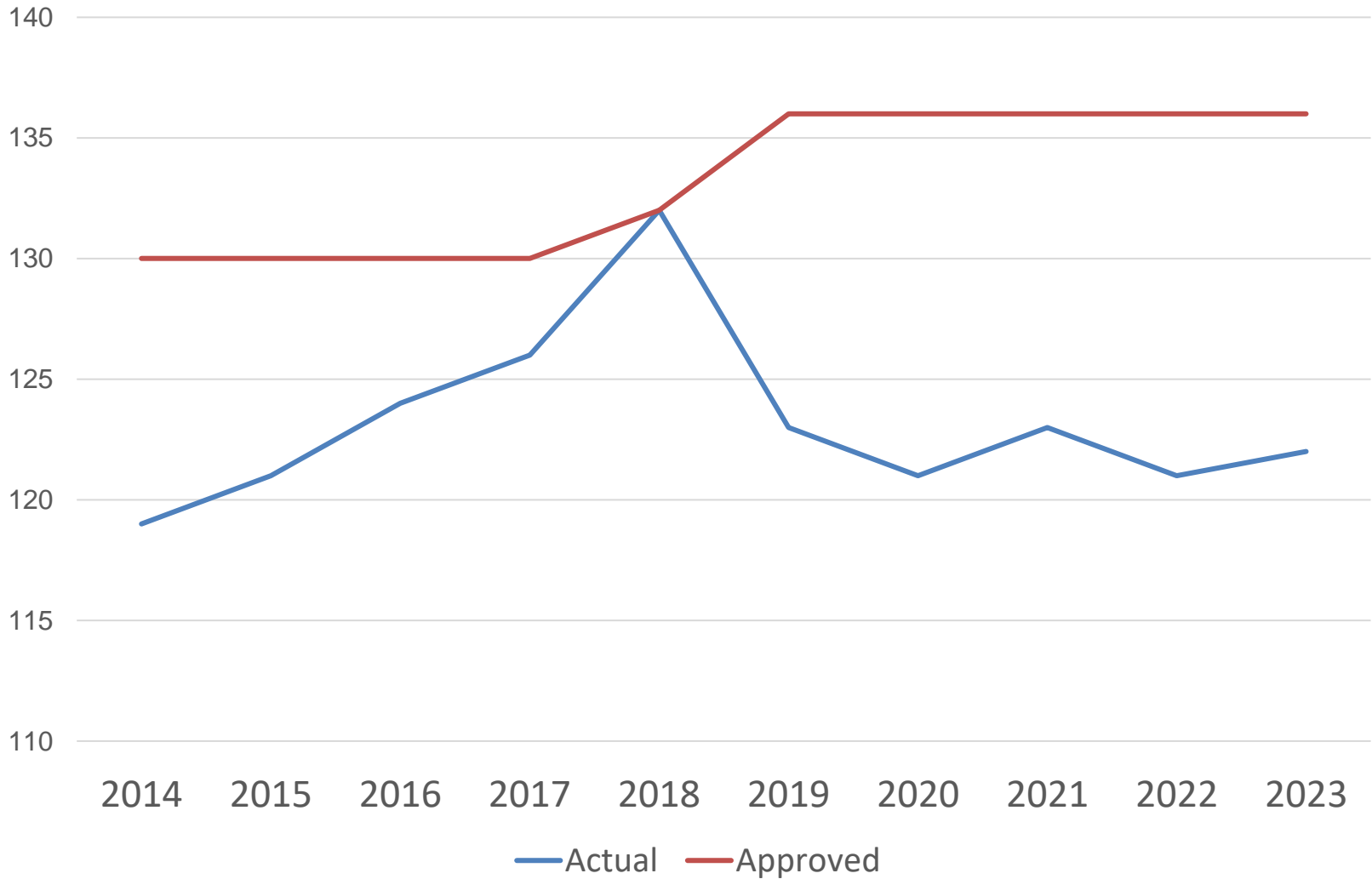
**TOP  
WORK  
PLACES**

**2023**

**Richmond Times-Dispatch**

**the APA is a 2023 Top  
Workplace!**

# Staffing Levels



## Accounting/Auditing Industry Trends

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Total undergraduate enrollment down 8% from 2019 to 2022



300,000 accountants and auditors have left the industry in the past two years (17%)



Graduates with Bachelor's in accounting as of 2020 down 9%



CPA Exam candidates lowest since 2007

# Strategic Recruiting Initiatives

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- Internship Program
- Partnering with Robert Half
- Increasing starting salary for Associate Auditors



# Salary Scales

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Minimum and maximum scales reflect 5% increase effective June 10, 2023, as approved in Chapter 2 of the 2022 Acts of Assembly



Requesting additional flexibility to incorporate any subsequent adjustments adopted by General Assembly to 2024 compensation



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



Raises may be given within the salary bands for promotions and merit in alignment with our compensation plan and budget



# Salary Scales

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Position	Number of Positions	Salary Scale 5% Increase		
Deputy	2	\$ 116,521	-	\$ 224,702
Project Leader	14	89,200	-	208,709
Auditor	90	59,039	-	139,590
Staff	30	36,756	-	98,050
Total	136			

# Strategic Planning

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**Directive 1** - Enhance engagement with external stakeholders

**Directive 2** - Leverage technology to strengthen internal operations

**Directive 3** – Cultivate innovative solutions to enhance project quality

**Directive 4** – Foster an environment that emphasizes knowledge sharing

**Directive 5** - Enrich our culture through a continued focus on human capital

# Significant Initiatives in Progress

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- New Office specialty teams
  - Process Innovation Team
  - Risk Analysis and Monitoring Team



# Significant Initiatives in Progress

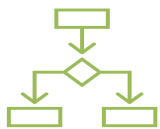
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APA website update



Expanding data analytics training and implemented CPE tracking system



Continue to expand use of Robotic Process Automation

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# PROPOSED WORKPLAN

# Proposed 2024 Work Plan

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## 2024 WORK PLAN



Commonwealth of Virginia  
Auditor of Public Accounts  
Staci A. Henshaw, CPA

- Annual work plan = work performed primarily during fiscal year(FY) 2024
- 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)

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## Audit Projects

Proposed FY 2024 Work Plan	149,660
Prior Year Work Plan	<u>152,280</u>
Decrease	2,620

## Audit Support Projects

Proposed FY 2024 Work Plan	8,205
Prior Year Work Plan	<u>5,045</u>
Increase	3,160

# 2024 Work Plan Highlights

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- Decreased hours for cycled agency & special projects help to balance our work plan budget
- Higher education financial statement audits continue to be a major driver of our work plan
  - We have outsourced most of our NCAA engagements to help counter budget increases
- Hours for Single Audit of federal funds continue to be above pre-pandemic level
- We will resume auditing Virginia529 beginning this fiscal year
- New internship program has added support hours



# Total Hours by Function

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Function	Hours
Agency and Special Projects:	
Executive Departments	114,865
Independent Agencies	11,190
Cycled Agencies	6,350
Special Projects	3,805
Local Government, Clerks, and Courts	13,450
<b>TOTAL 2024 WORK PLAN</b>	<b>149,660</b>

# Work Plan Overview by Audit Type

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*ACFR & SINGLE AUDIT - 56%*

*HIGHER EDUCATION AUDITS - 27%*

*OTHER AUDITS &  
SPECIAL PROJECTS - 8%*

*LOCAL GOVERNMENT, CLERK, & COURT AUDITS - 9%*

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MAY

SEP

JAN

MAY

SEP

## Hours by Executive Departments (Total 114,865)

Department	Hours
Executive Offices and Administration	3,275
Commerce and Trade	3,350
Education	1,990
Education – Higher Education Institutions	60,160
Finance	24,145
Health and Human Resources	12,745
Natural Resources	100
Public Safety and Homeland Security	3,250
Transportation	5,850

# Cycled Agencies

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- Approximately 70 agencies
  - No mandatory annual audit requirement
  - Generally, do not support the ACFR or Single Audit of federal funds
- Our approach to auditing cycled agencies involves dividing them into two pools based on risk
  - Pool I (low risk) agencies are subject to an Internal Control Questionnaire (ICQ) review every 3 years
  - Pool II (high risk) receive audit of high-risk cycle(s) and are also subject to an ICQ review every 3 years

# Types of Special Projects

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- Projects Required by Legislation, Statute, or Appropriation Act
  
- Projects Determined by an Analysis of Risk

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

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- *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

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

# Special Projects: Risk Based Analysis

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- Comparative Report for Higher Education
- Fraud Monitoring
- Review of VITA's Enterprise Cloud Oversight Service (ECOS)



## Requested Action

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- Approval of the proposed 2024 Work Plan
- Approval of increase in salary scales

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# **PRIOR WORK PLAN RESULTS**

# Prior Work Plan Highlights

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- Delays in reporting by localities have impacted Local Government Comparative Report issuance
- Qualitatively identified Hopewell as fiscally distressed
- ACFR / Single Audit findings increased by 20%
- Issued disclaimer of opinion on Rental Assistance Program
- Successfully navigated work plan stress caused by multiple higher education reaccreditation reviews
- Issued 2<sup>nd</sup> Higher Education Comparative Report

# Comparative Report of Local Government

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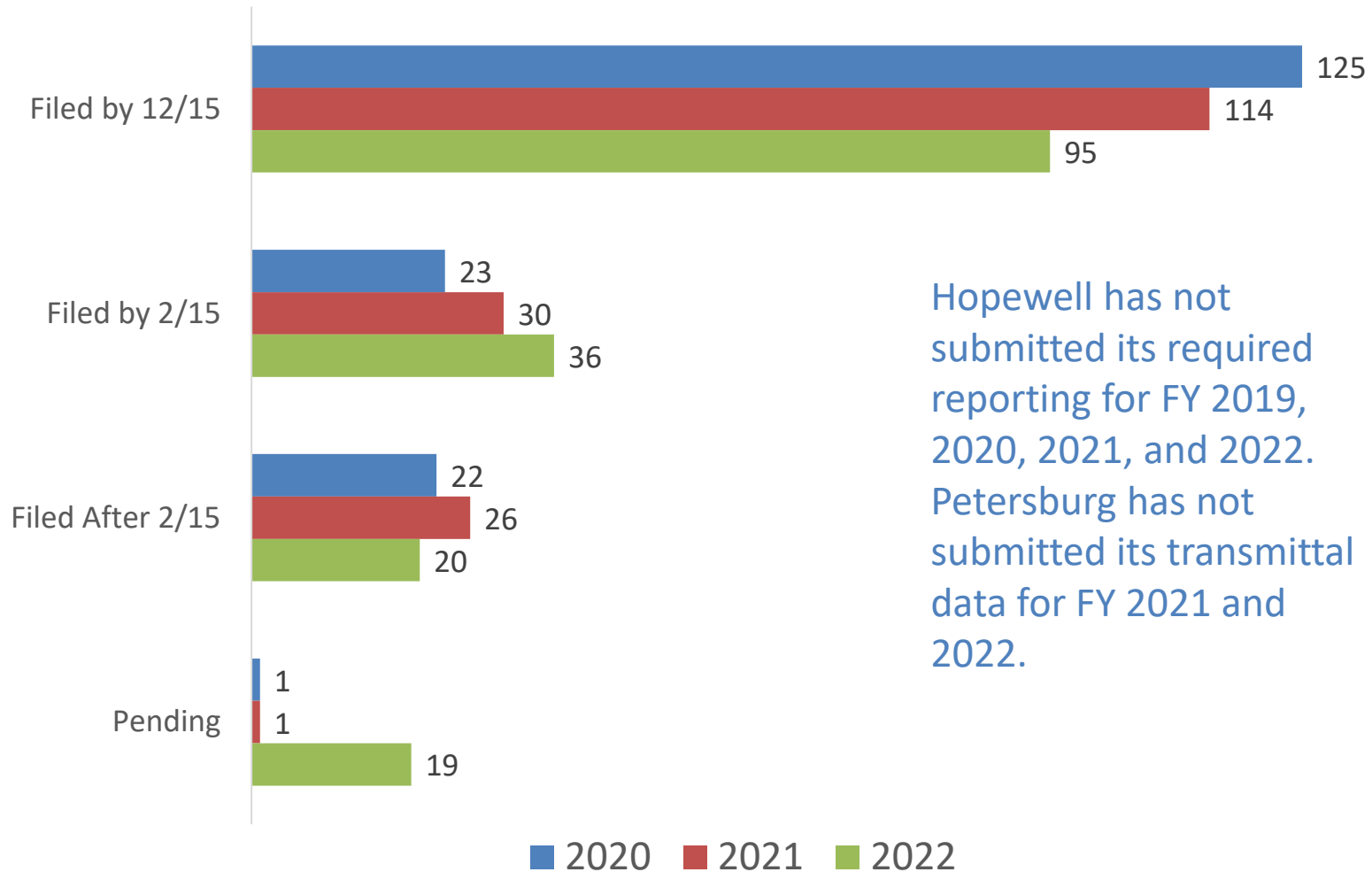
- FY 2022 draft report published on February 15
  - Missing data and audited financial reports for 40 localities
- Significant number of locality reporting delays impacts timeliness of our data review process and results in incomplete locality data for the final report issuance
- Expect to issue final report by end of May 2023
  - Will amend report at later date to include missing localities

# Comparative Report of Local Government

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- Currently missing data for 19 localities
  - Cities of Emporia, Hopewell, Norton, and Petersburg
  - Counties of Amherst, Bedford, Brunswick, Buchanan, Buckingham, Greensville, King William, Lee, Pulaski, and Russell
  - Towns of Big Stone Gap, Clifton Forge, Dumfries, Richlands, and Vinton
- 12 of the 19 localities have not posted a public notification of audit delay required by the Code of Virginia § 15.2-2511

# Summary of Locality Reporting: Financial Report Submissions



Hopewell has not submitted its required reporting for FY 2019, 2020, 2021, and 2022. Petersburg has not submitted its transmittal data for FY 2021 and 2022.

# Local Fiscal Distress Monitoring

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- Acts of Assembly directs our Office to annually monitor data and information as part of our early warning system to identify potential fiscal distress at localities
- Early warning system consists of two components

## Ratio Analysis

- Calculate 12 financial ratios using audited financial reports
- Analyze each locality's ratio performance using a points-based methodology

## Qualitative Review

- Review demographic, qualitative, and other external factors for localities receiving a high number of ratio points in total for all ratios

# 2022 Annual Monitoring Process

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- Completed ratio analysis based on the FY 2021 audited financial statements and evaluated applicable localities in qualitative assessment
- Identified two new localities for follow-up review during 2022 process: City of Radford and Town of Clifton Forge
- Continued to qualitatively evaluate and formally identified the City of Hopewell during 2022 process
- Continued follow-up with City of Buena Vista from prior year analysis
- Expect to issue 5<sup>th</sup> report on results of 2022 monitoring process in May 2023



# 2022 Annual Monitoring Process - New

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- City of Radford
  - Requested to participate in our review process and submitted the completed financial assessment questionnaire
  - Based on follow-up process, did **not** identify the City of Radford as fiscally distressed
- Town of Clifton Forge
  - Did not request to participate in follow-up review process, but did submit the completed financial assessment questionnaire
  - Will continue to monitor future ratio trends and any other qualitative factors

# 2022 Annual Monitoring Process – Continued

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- City of Buena Vista
  - Subsequently responded to our prior year notification and submitted the completed financial assessment questionnaire in June 2022, but did not request to participate in further follow-up discussions with our Office
  - Based on cursory review of completed questionnaire and continued review of ratios and recent audit reports, did **not** identify City of Buena Vista as fiscally distressed

# 2022 Annual Monitoring Process - Hopewell

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- Qualitatively identified Hopewell due to inability to timely complete and submit audited financial statements
- City participated in our review process and submitted the completed financial assessment questionnaire
- Reviewed questionnaire and other information and had follow-up discussions with City Finance Director to understand factors contributing to City's current financial and operational issues

# 2022 Annual Monitoring Process

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- Qualitative factors noted for Hopewell
  - City's bond rating withdrawn in 2017 due to lack of audited financial statements
  - City received a *disclaimer of opinions* on all financial activity for FY 2018 audit and has not received a "clean" audit opinion since FY 2015
  - Audits noted multiple material weaknesses related to key areas of internal controls and financial reporting

# 2022 Annual Monitoring Process

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- Qualitative factors noted for Hopewell (cont.)
  - Unfavorable trends in demographic factors of unemployment and poverty rates
  - High fiscal stress ranking in analysis by Commission on Local Government
  - Decline in ability to provide additional funding above state's required amount for education costs based on analyses by Department of Education
  - Noted other shortcomings related to other internal factors such as resources and expertise, organizational structure, and control environment

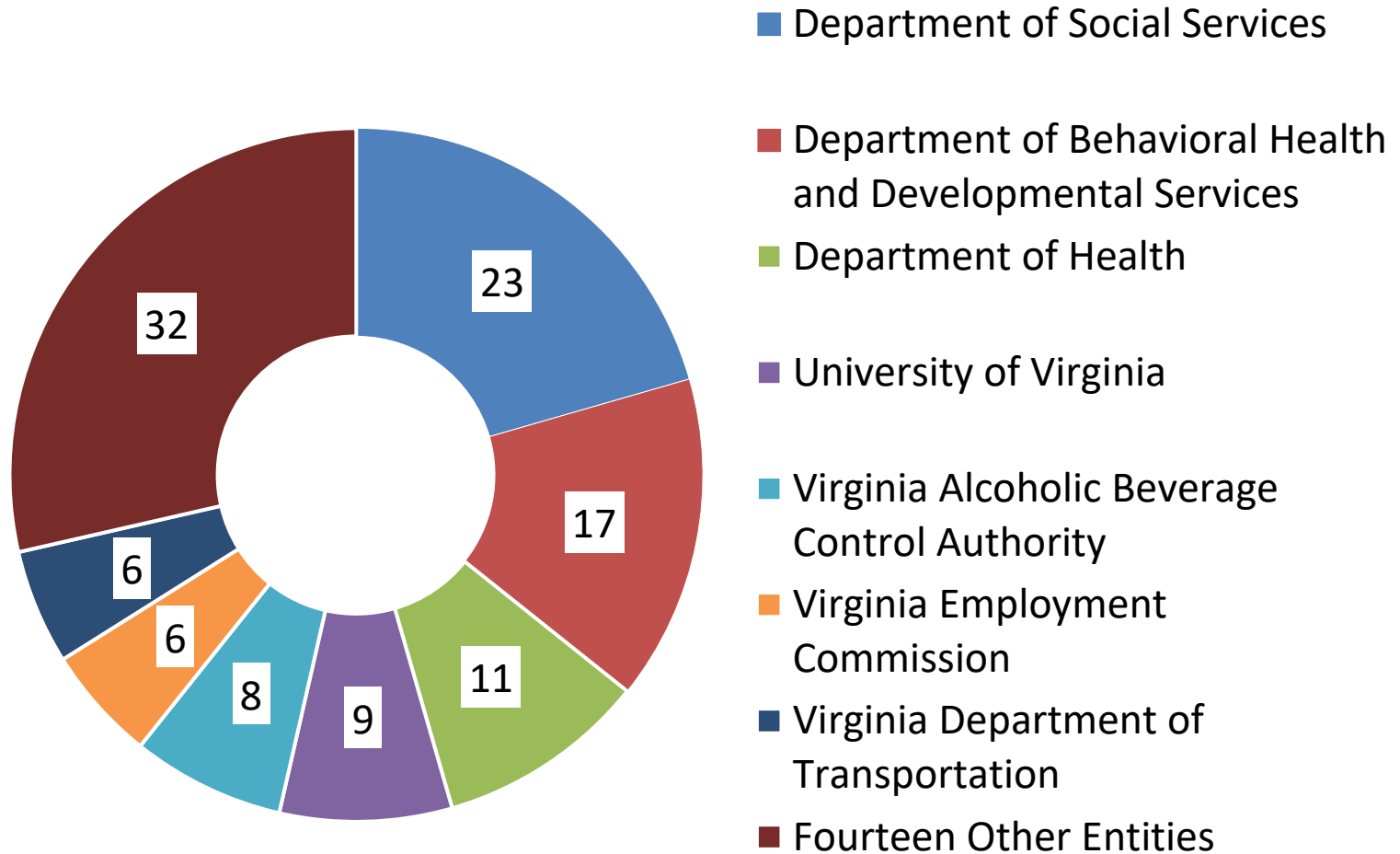
# 2022 Annual Monitoring Process

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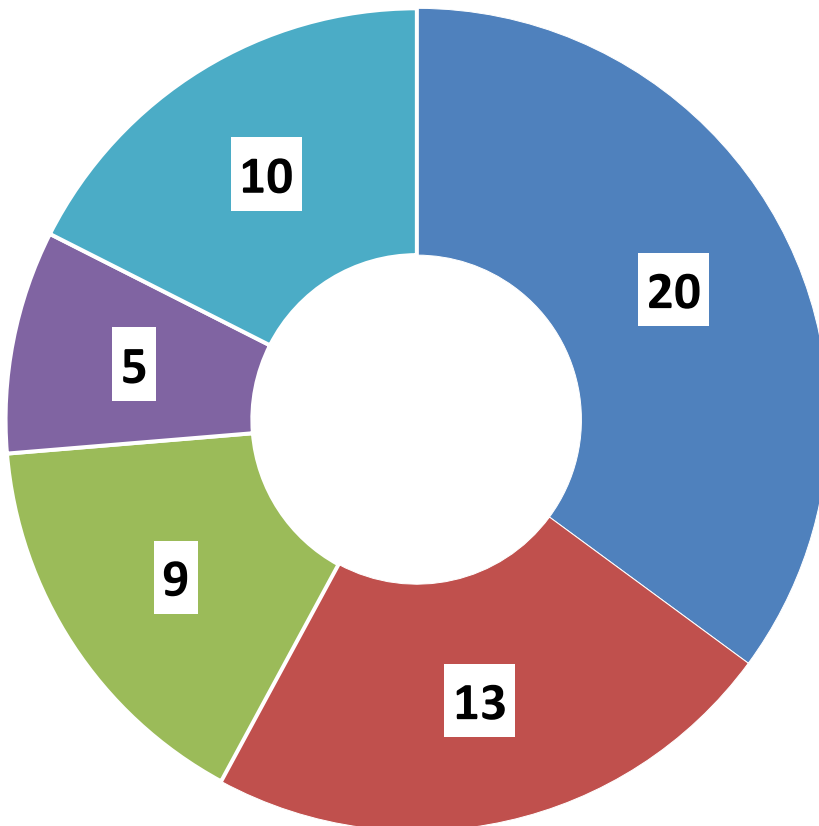
- December 2022: Formally recommend Governor and Money Committees consider providing state assistance
  - Recommend state assistance focused on deploying a turnaround team of specialists to provide hands-on support to the City
- Early 2023: Governor and Money Committees approved state assistance
- March 2023: Secretary of Finance selects external firm to conduct an assessment of the City's financial challenges and develop a turnaround plan

# ACFR and Single Audit (SA) Results

Note: One finding reported deficiencies at two entities. For this graph, these deficiencies are broken-out and included to the total of each entity impacted.



# ACFR and SA Results – Non-IT Issues

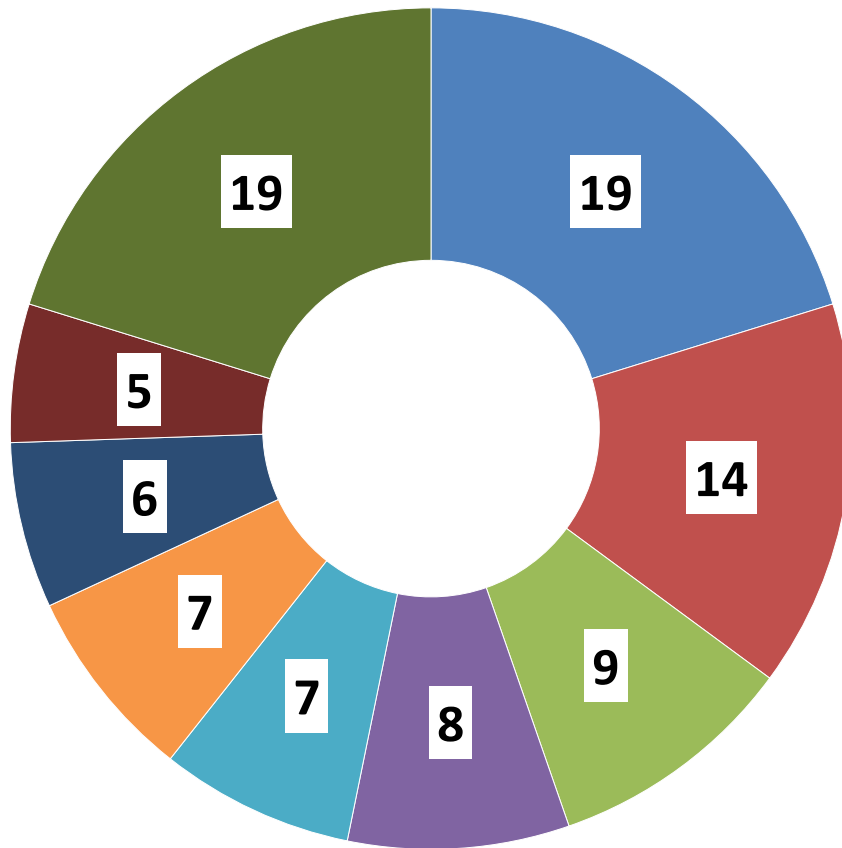


- Grants Management and Federal Award and Questioned Costs
- Human Resources and Payroll
- Financial Accounting and Reporting
- Third-Party Service Providers
- Four Other Topics



# ACFR and SA Results – IT Issues

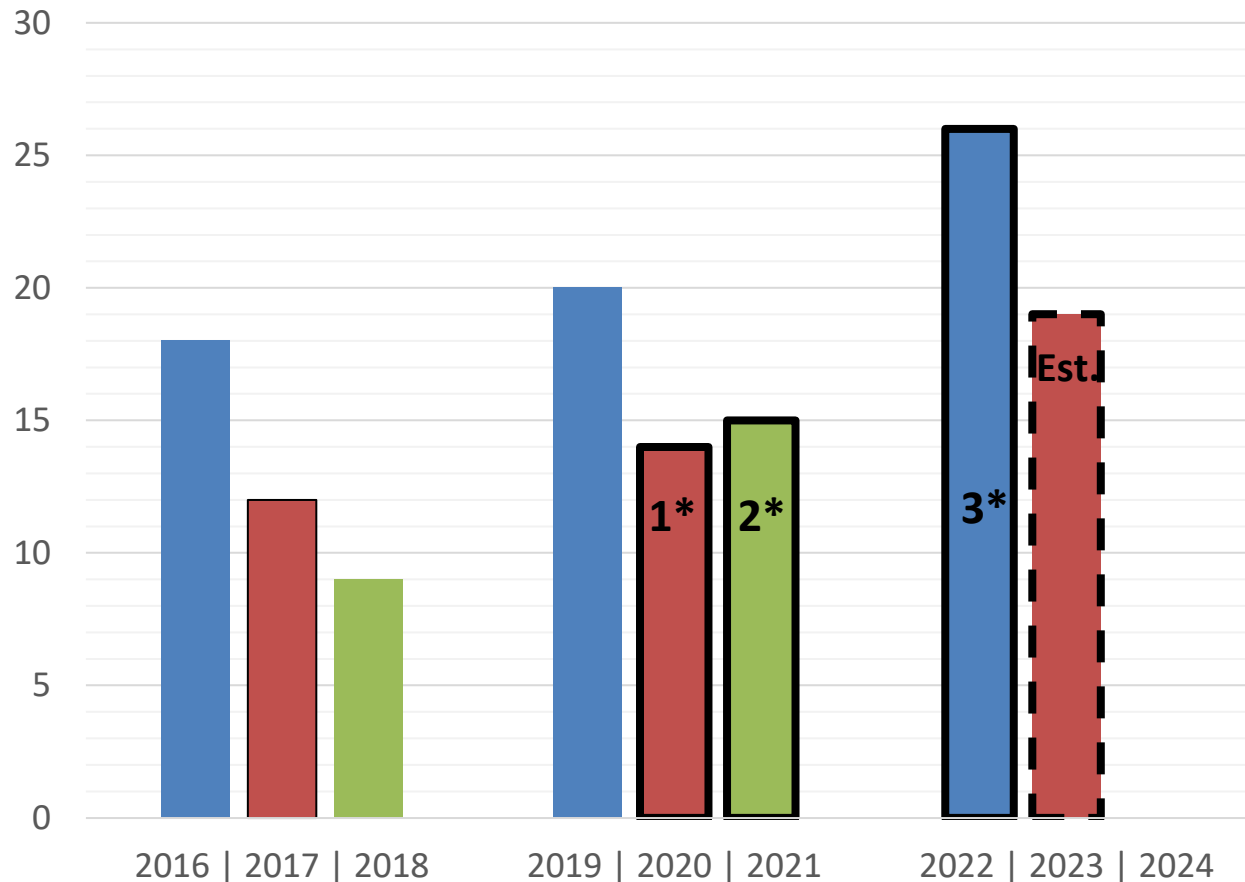
Note: Sixteen findings reported deficiencies with multiple control families. For this graph, these deficiencies are broken-out and included to the total of each control family impacted.



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

# Trends in 3-Year Audit Cycle for Major Programs

Number of Major Programs  
\* Year of the Pandemic



# Higher Education Financial Statement Audit Results

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2022 audits of JMU, ODU, RU, UMW, UVA, VCU, and VT



2021 audits of remaining four-year institutions and VCCS



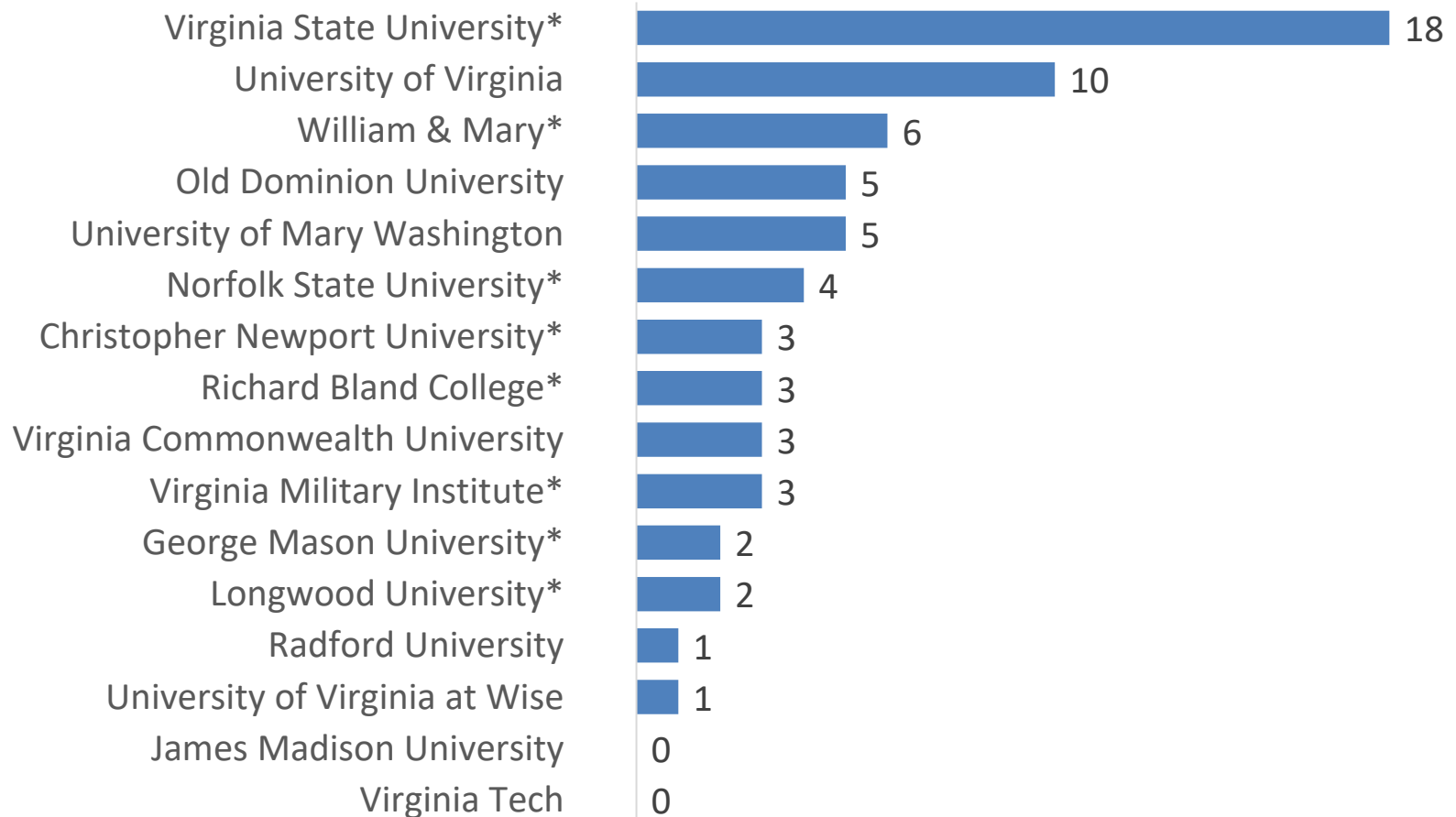
Audited Education Stabilization Fund to support Single Audit



Three material weaknesses in financial reporting (ODU, UMW, UVA)

# Higher Education Institution Findings by Institution

## Four-Year Institutions (and RBC)



\* Fiscal Year 2021 audit results as the fiscal year 2022 audit has not been finalized.

# Higher Education Institution Findings by Audit Area Four-Year Institutions (and RBC)

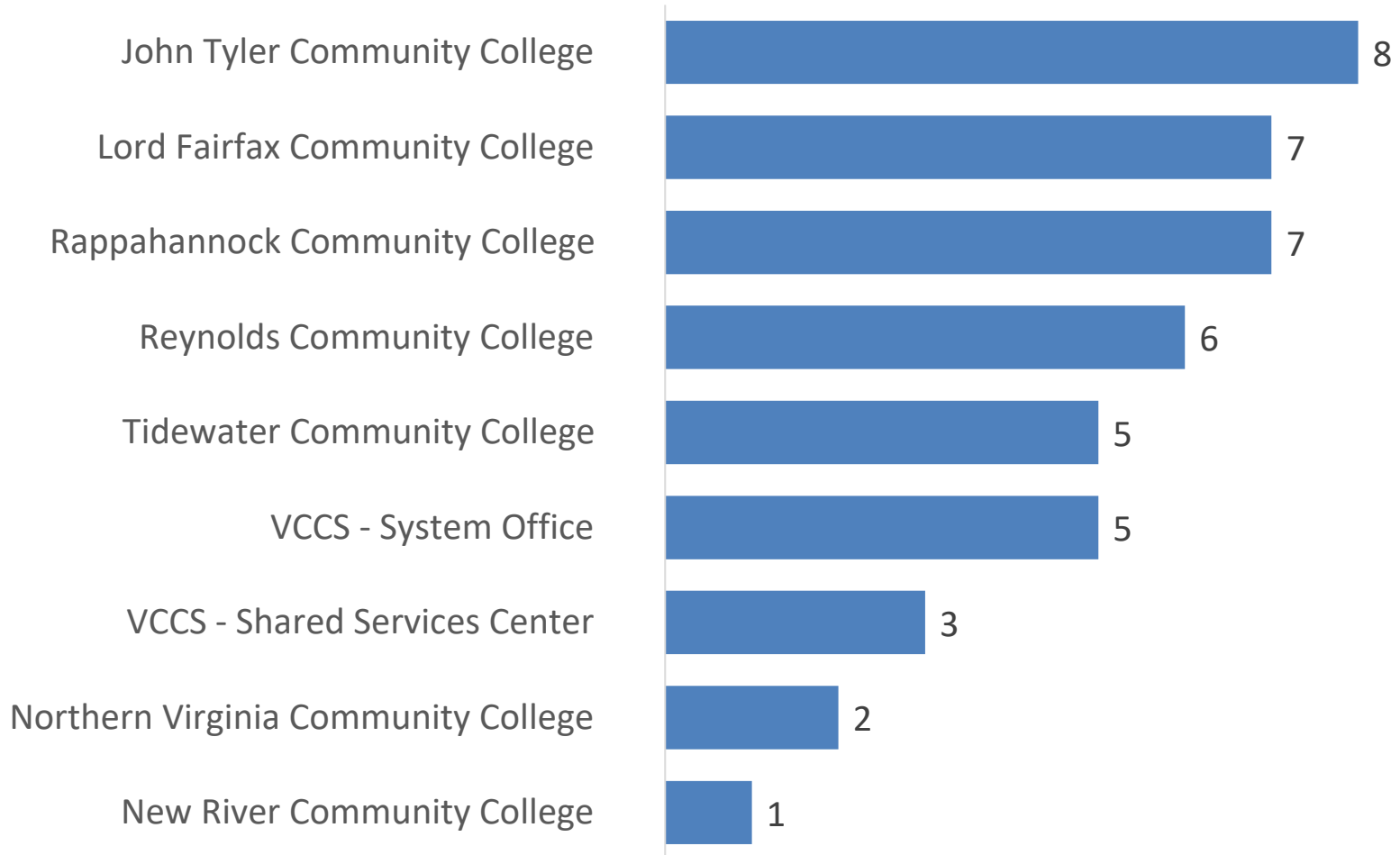
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# Higher Education Institution Findings

## Virginia Community College System (FY 2021)

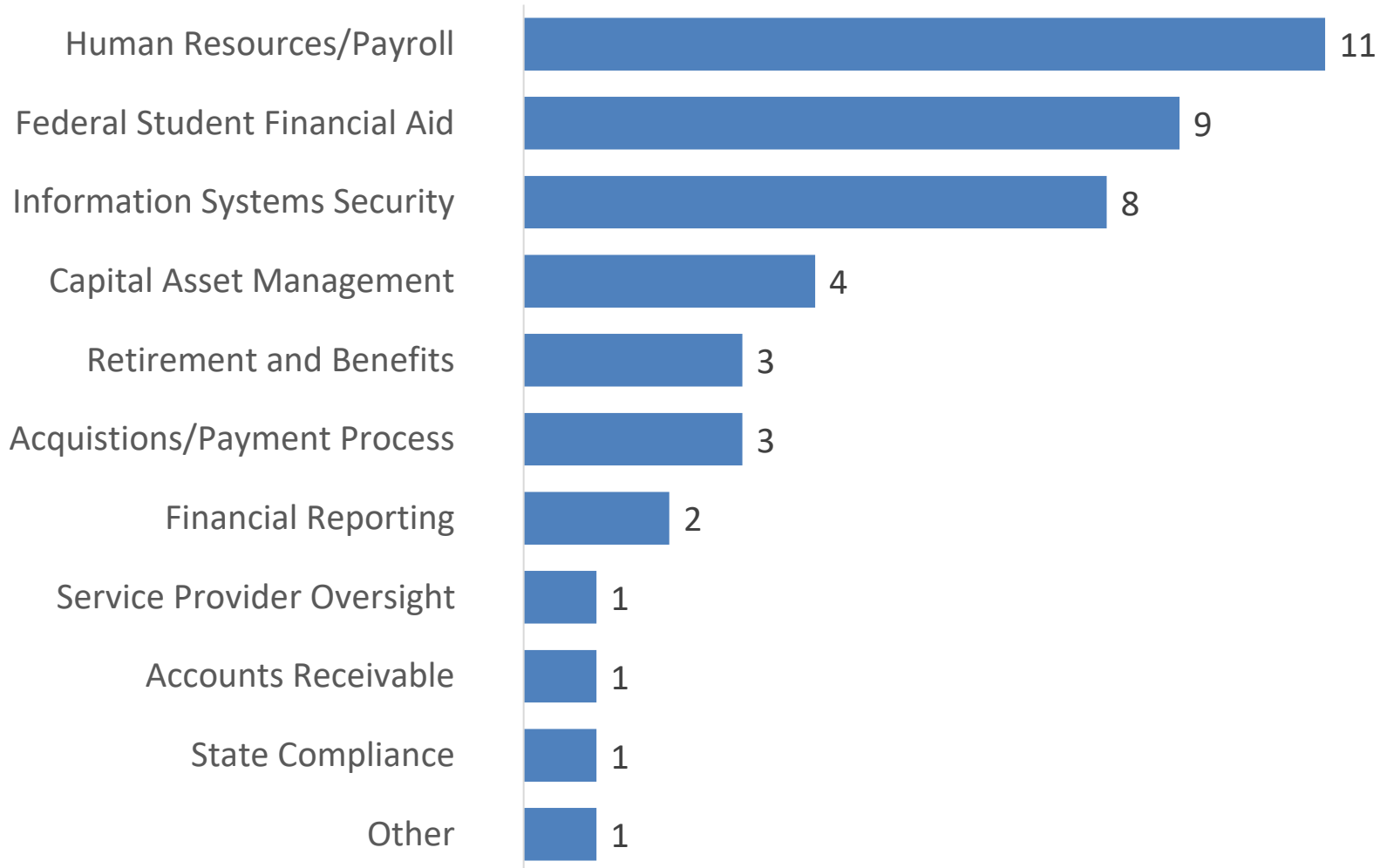
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# Findings by Audit Area

## Virginia Community College System (FY 2021)

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# Higher Education Comparative Report Results Through Fiscal Year 2020

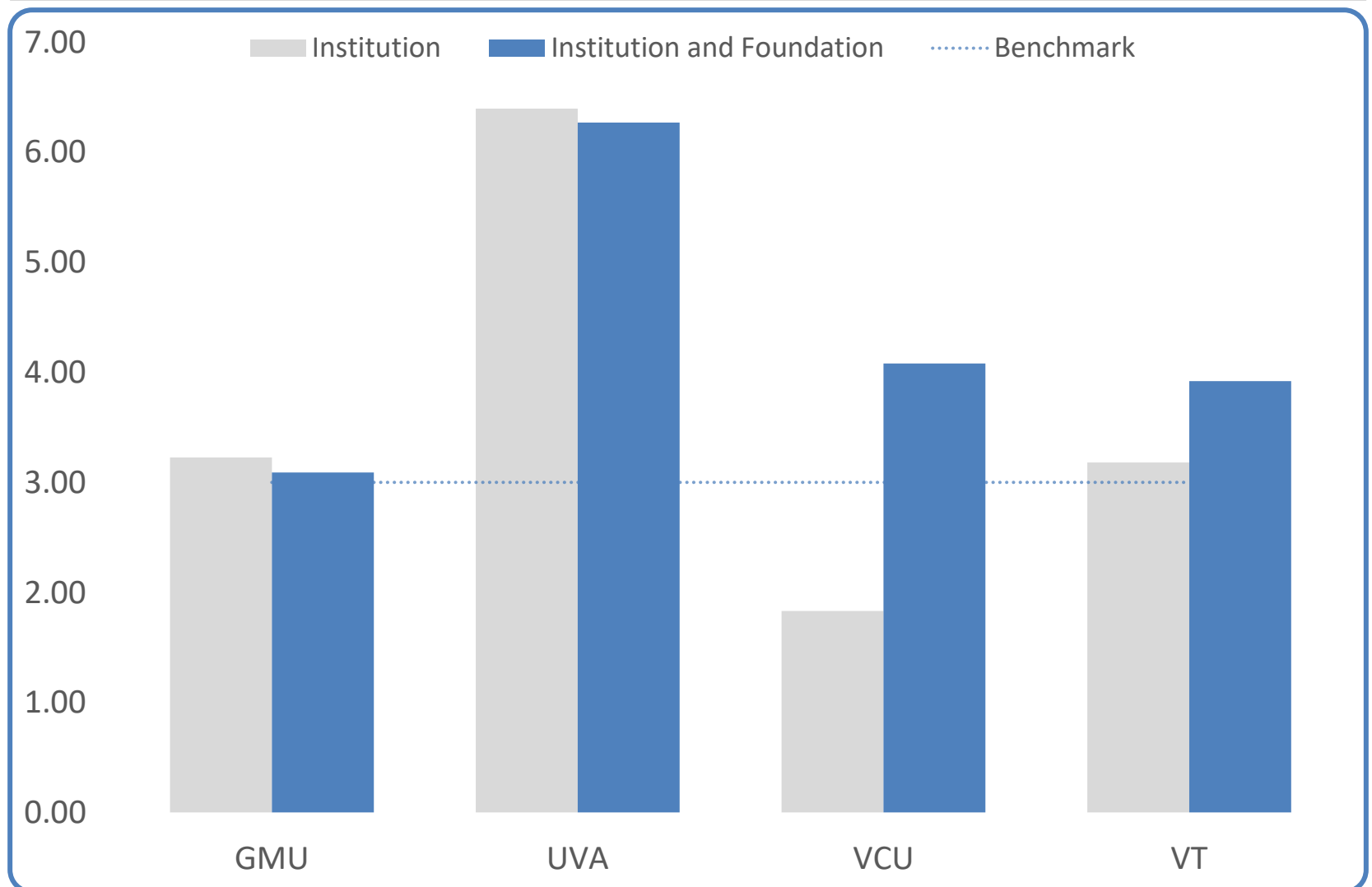
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- Several master's or baccalaureate institutions lag the benchmark for having adequate reserves to cover expenses (CNU, LU, NSU, UMW, VSU)
- Many institutions have high debt to expendable resources when compared to the benchmark (CNU, GMU, JMU, LU, ODU, NSU, UMW, VSU)
- Two institutions experienced consecutive years of negative return on net position (NSU, LU)
- One institution's Composite Financial Index (CFI) decreased further below the benchmark with foundation included (UMW)



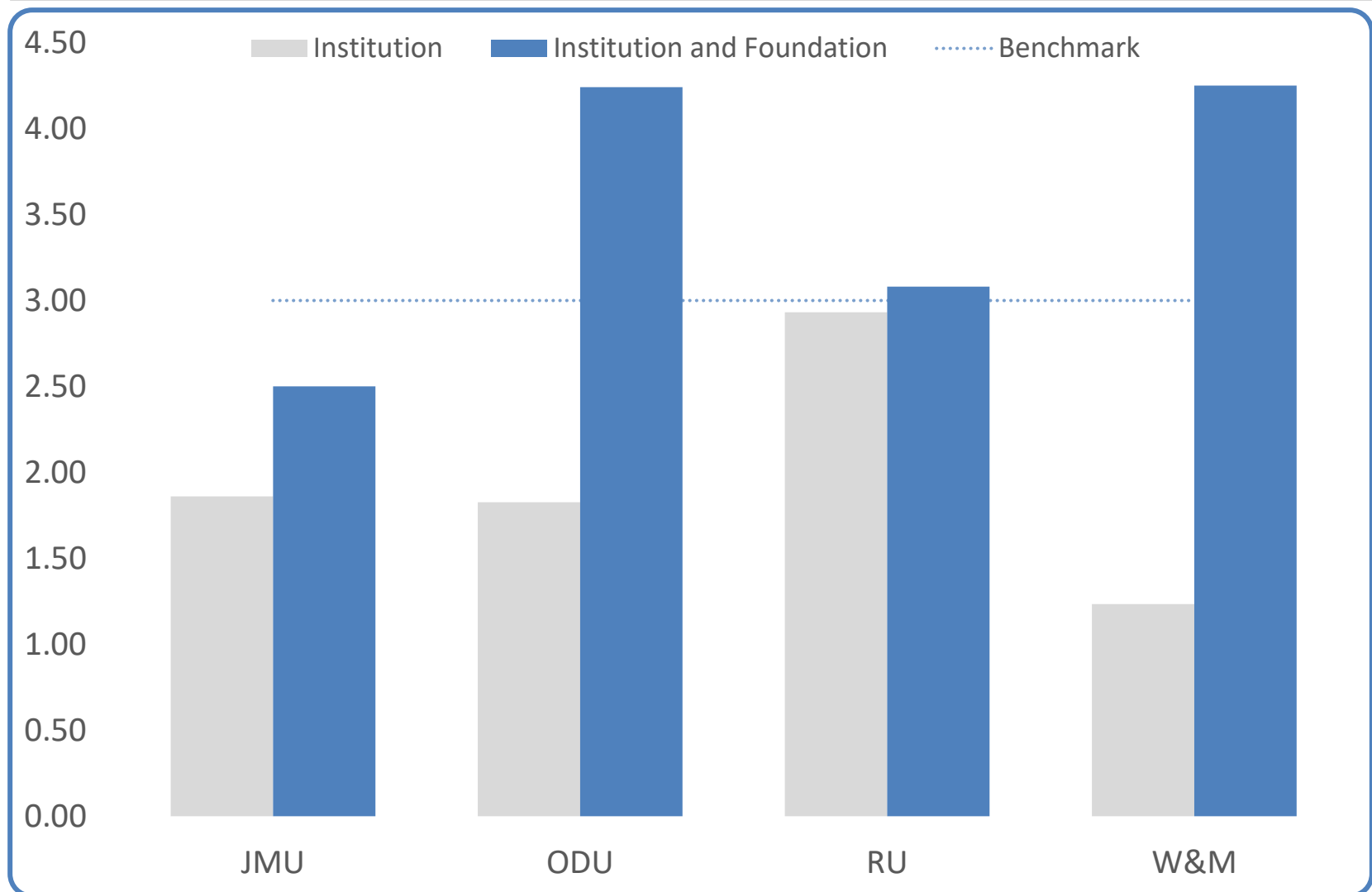
# Higher Education Comparative Report

## CFI – Doctoral: Very High Research



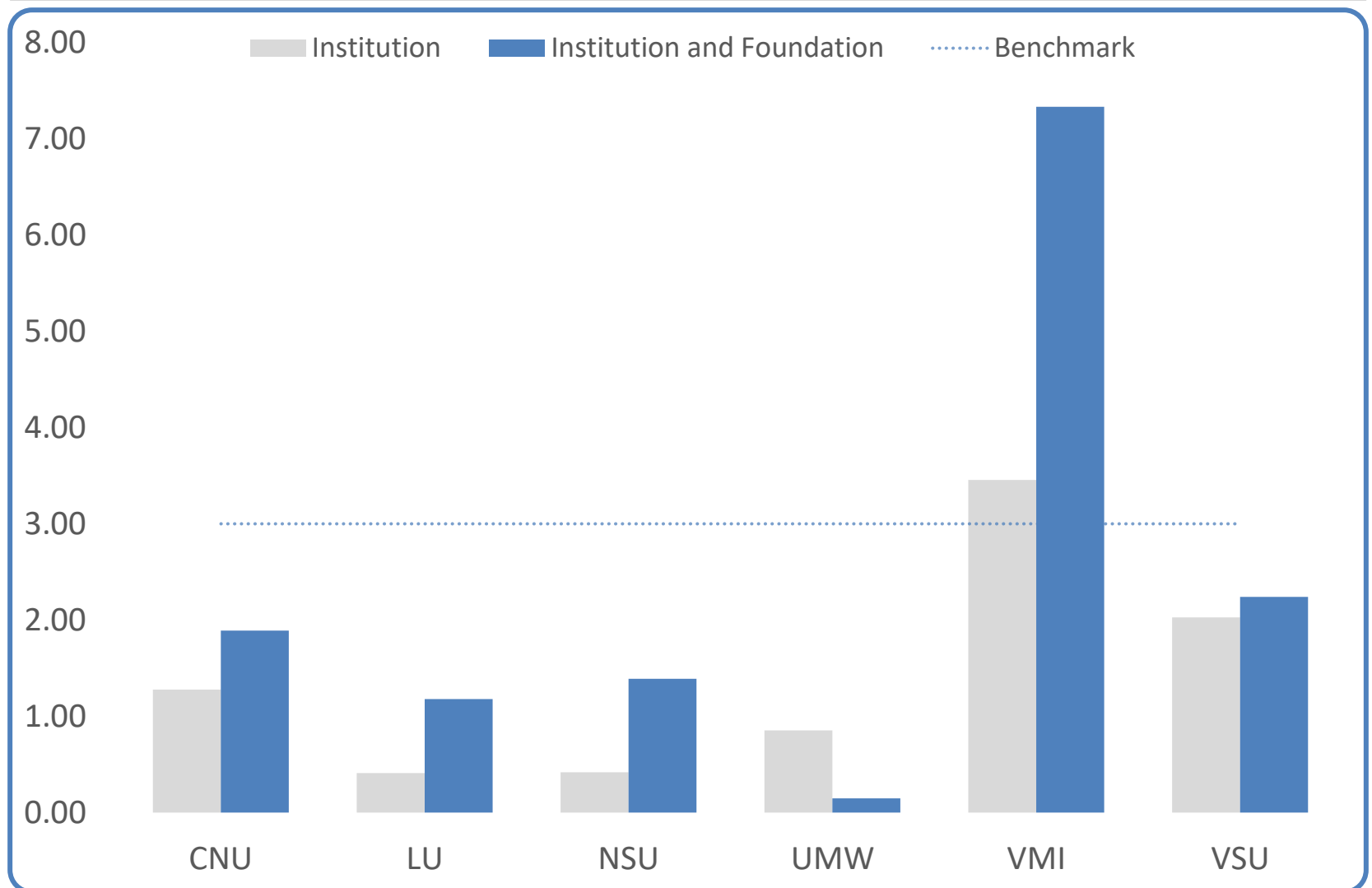
# Higher Education Comparative Report

## CFI – Doctoral: High Research or Doctoral/Professional



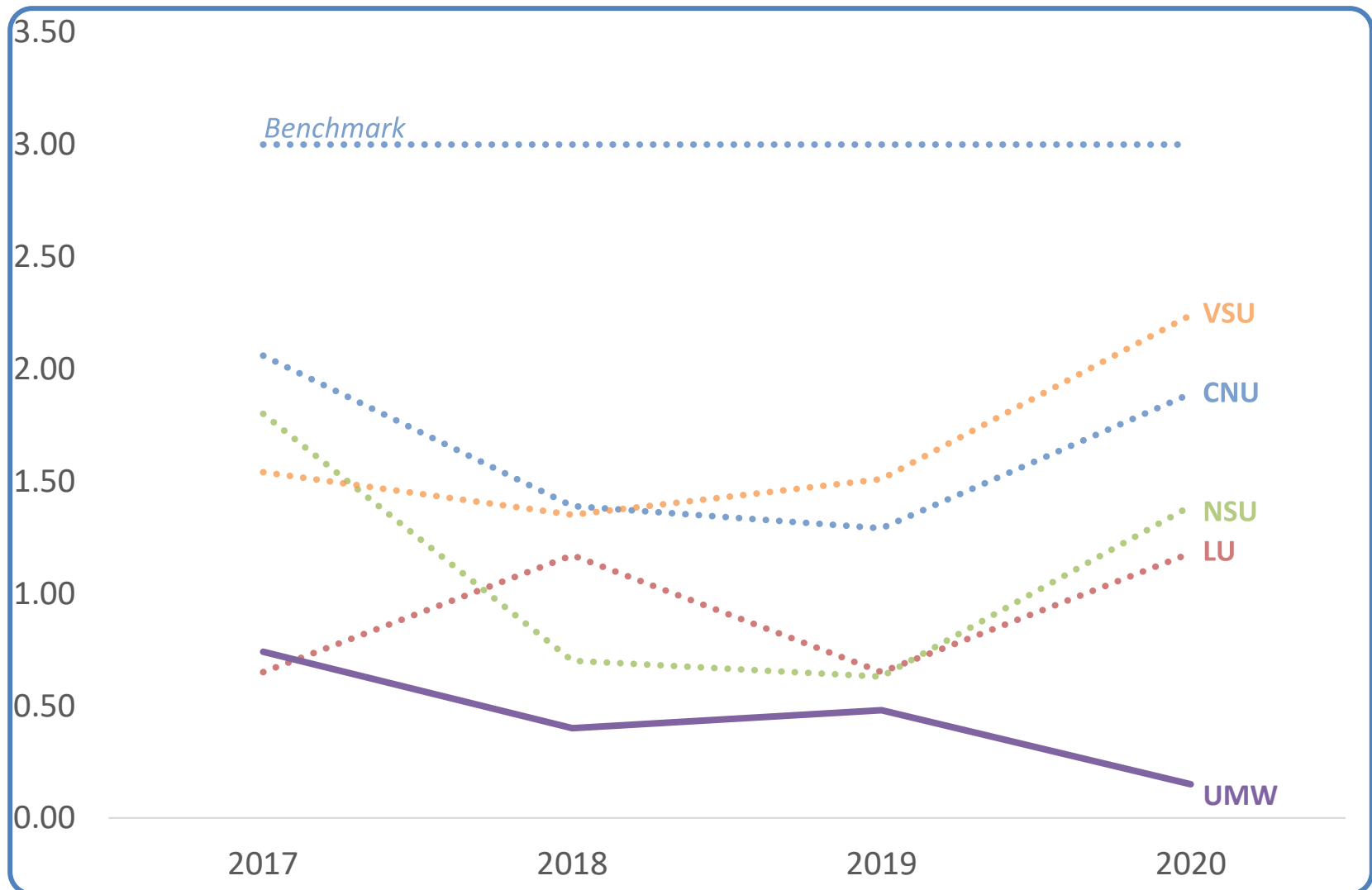
# Higher Education Comparative Report

## CFI – Master's or Baccalaureate



# Higher Education Comparative Report

## CFI – Master's or Baccalaureate Trend



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# QUESTIONS?