

**ITEMS OF INTEREST FOR
COMPTROLLER’S DIRECTIVE NO. 1-23
DIRECTIVE COMPLIANCE GUIDELINES FOR STATE AGENCIES**

If the information requested in the supplemental section is also provided on an attachment, contact the individuals listed in the Questions section of this Directive.

General

- The Directive is formatted to facilitate identification of specific agency requirements. Informational authoritative literature/guidance, a glossary, and a frequently asked questions (FAQ) document are provided on DOA’s website at www.doa.virginia.gov. Click on the “Financial Statement Directives” link.
- Agencies must comply with the requirements contained in the **Authoritative Literature/Guidance for Preparation of GAAP Basis Fund Financial Statement Templates**, which can be found on DOA’s website at www.doa.virginia.gov. Click on the “Financial Statement Directives” link.
- Any questions related to the Directive should be addressed to the following individuals:
 - Attachment Analyst – AttachmentAnalyst@doa.virginia.gov
 - Sarah Drysdale, Assistant Director – Financial Reporting, (804) 225-2438 or sarah.drysdale@doa.virginia.gov
 - Jennifer Wykoff, Assistant Director – Financial Reporting, (804) 225-4426 or jennifer.wykoff@doa.virginia.gov
 - John Sotos, Assistant Director – Financial Reporting, (804) 225-2111 or john.sotos@doa.virginia.gov
 - Susan Jones, Director of Financial Reporting, (804) 225-2414 or susan.jones@doa.virginia.gov
- Comptroller’s Directive No. 1-23, Directive Compliance Guidelines for State Agencies, replaces and rescinds the prior year’s Comptroller’s Directive No. 1-22.

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General, Continued

- AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*, states that the identification by the auditors of a material misstatement, identification of fraud by senior management, and ineffective oversight of an entity’s financial reporting are indicators of a material weakness in internal control. This also includes restatements of previously issued financial statements to reflect a correction of a material misstatement. This applies regardless of whether the auditors or the agency discovers the restatement.

Note: This does not apply to a change in accounting principle to comply with a new accounting principle or a justifiable voluntary change from one GAAP to another. Agencies must ensure controls are in place to avoid material misstatements and/or misclassifications in the attachments and other financial information submitted to DOA.

- Online training on this directive is available at no charge to agencies. Several directive training modules are available to meet the diverse experience levels of agency fiscal staff. Participation **is strongly encouraged** for agencies that must complete information contained in this Directive. To register for any of the training modules, login to the **Learning Center** (COVLC) at <https://covlc.virginia.gov>. Click on the “Catalog” link and search using the keyword “**DOA Directive.**” Click the course/reference you wish to access. If the agency has difficulty accessing the training, contact your agency COVLC site administrator, or e-mail doatraining@doa.virginia.gov for guidance. Please note that if an agency is not a member of the Learning Center, users will not be able to access the training. However, a PDF copy of the PowerPoint slides can be made available to those agencies.
- DOA will have open training in July for any agencies that are interested in more detailed training or have specific questions. This training will be available for all agencies that would like to attend for additional, in-person guidance on specific attachments and open Q&A. Email AttachmentAnalyst@doa.virginia.gov to request detailed training.
- Agencies will be notified within a few days of submission due dates if DOA determines the information provided is unacceptable. The deficiency will be identified and a revised due date will be provided. Original submissions should be materially correct. Multiple submissions, failure to provide corrected information or respond to DOA inquiry within the specified time frame may result in a citation in the Comptroller’s *Quarterly Report on Statewide Financial Management and Compliance*.

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- As in previous years, e-mail submissions are required for all submissions unless an individual submission indicates otherwise. Agencies should only submit **one** copy of each submission to DOA. Please note the e-mail addresses below:
 - For attachments only – finrept-agyatt@doa.virginia.gov
 - For supplemental information only – finrept-agysupp@doa.virginia.gov
 - For questions or detailed directive training – AttachmentAnalyst@doa.virginia.gov
 - All other correspondence – finrept@doa.virginia.gov

Agencies should remember to copy the Auditor of Public Accounts (APA) on **ALL** e-mail submissions at: APAFinRept@apa.virginia.gov.

- If you identify a submission that needs a revision and it has not previously been discussed with DOA, please contact the AttachmentAnalyst@doa.virginia.gov mailbox for guidance prior to submission. If a resubmission is approved, please follow the revision instructions provided for the submission.
- If an agency fails to comply with the requirements of this Directive, the Comptroller may disclose such failure in the *Quarterly Report on Statewide Financial Management and Compliance*. This includes but is not limited to the following:
 - failure to provide accurate information (which results in multiple resubmissions),
 - failure to provide corrected information after DOA inquiries, and
 - failure to respond to DOA inquiries within reasonable/specified timeframes.
- It is imperative that each agency provide timely and accurate reporting information. Lack of timely and accurate responses necessary for the compilation of critical reports such as the Annual Comprehensive Financial Report (ACFR) and Schedule of Expenditures of Federal Awards (SEFA) jeopardizes the state's bond rating and compliance with federal reporting requirements.

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- The **Supplemental Information** requirements are numbered for each agency. When submitting the required information, the subject line of the e-mail should include the agency number, due date of the submission, and item number. For example, if the Department of Accounts is submitting items due on July 6, then the subject line would read **“Agy 151, Due Date July 6, 2023, Submissions, Item #.”**
 - When naming the actual file, include the Item # in the file name.
 - **DO NOT include different due date submissions within the same e-mail.**
 - When submitting revisions, include “REVISED – date” in the subject line of the e-mail as well as in the file name.
 - If revisions are made to previously submitted supplemental information, submit a completed **Attachment 32 – Supplemental Information – Revision Control Log.**
 - A fluctuation analysis is required for all supplemental submissions, if requested. For additional information, please see the **Supplemental Information** section of the Directive.

- For your convenience, the contact information in all but the first tab in each attachment/template continues to be auto filled with the information from the first tab, but the cells remain unlocked to allow for more than one preparer to complete the attachment.

- Only cells highlighted in yellow allow for data entry. Error messages in cells are intended to alert preparers that established parameters are not being followed. **Failure to correct Errors or provide answers to all required questions prior to submission will prohibit acceptance of the attachment. Most cells requiring a response will be populated with an “Answer Required” message until a response is entered.**

- **Certification** is required for most submissions. This certification step requires the names of all preparers and reviewers to be included on all applicable submissions. Please note that there should be a segregation of duties; therefore, the preparer and the reviewer should not be the same individual for any submission. **By typing a name, the preparer is certifying that all of the questions have been completed and are accurate; the reviewer is certifying that the attachment has been reviewed and is complete and accurate; the preparer and reviewer were not the same individual for any tab; and the preparer and reviewer have read and understood the instructions for the attachment. If agency staffing does not allow for a different preparer and reviewer, please contact DOA.**

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- Revision control logs are included in the majority of the attachment workbooks. These logs require the agency to identify the specific worksheets and tabs that have been modified **after** DOA’s original acceptance. These logs should also provide a cumulative listing of changes to each attachment. The individual attachment instructions indicate whether the revision control log is applicable. **Failure to adhere to the revision instructions specified for each attachment will prohibit acceptance of revisions. Include “REVISED – date” in the subject line of the e-mail as well as in the file name.** Each time a revision is submitted, the **Certification** tab should be updated with new signatures and dates. DOA will notify agencies if problems are encountered with revision submissions.

- For purposes of the Annual Comprehensive Financial Report, the Commonwealth recognizes all long-term leases pursuant to **GASBS No. 87**, *Leases*, if the calculated asset value is equal to or exceeds \$50,000, and long-term SBITAs pursuant to **GASBS No. 96**, *Subscription-Based Information Technology Arrangements* (SBITA), if the calculated asset value is equal to or exceeds \$5,000 and the lease terms last for longer than 12 months. Short-term leases are expensed and have a calculated asset value of less than \$50,000 for **GASBS No. 87** leases or less than \$5,000 for **GASBS No. 96** SBITAs or a lease term of 12 months or less, including all renewal options.

- For purposes of the Annual Comprehensive Financial Report, the Commonwealth capitalizes all equipment that has a cost or value greater than or equal to \$50,000, all other non-lease / SBITA assets that have a cost or value greater than or equal to \$100,000, and an expected useful life of greater than two years.

- As a reminder, BRES administered leases are reported by the Department of General Services (DGS) and not the line agency.

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- If an agency is required to prepare financial statements for purposes other than the Comptroller’s Directive, the affected agencies will still have to prepare those financial statements. However, unless otherwise specified in the **Supplemental Information** section of the Directive, these financial statements will not have to be submitted to DOA. For those agencies that are audited by the APA, the APA will audit the template for Annual Comprehensive Financial Report purposes.
- Agencies must ensure that the “Goods or Services Receipt Date” or “Transaction Date” is less than or equal to June 30, 2023, for Cardinal Vouchers and Cardinal Expense transactions, respectively, that are processed in July, August, or September relating to prior fiscal year activity. DOA’s fiscal year 2023 year-end agency closing instructions provide additional guidance. These instructions are available for download from DOA’s web site at www.doa.virginia.gov. Click on “Fiscal Year-End Closing Procedures.” If any questions remain after reviewing the instructions, please contact DOA.
- Any SBITA’s that were in FAACS as of July 1, 2022, and after, should be removed from FAACS and reported in LAS Plus. If the SBITA is a prepayment reported as CIP in FAACS, it should be removed and reported on the Lease/SBITA Activity Confirmation sent at year-end.
- The following GASB statements are effective for the Commonwealth for fiscal year 2023:
 - **GASBS No. 91**, *Conduit Debt Obligations*, establishes a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures.
 - **GASBS No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and Availability Payment Arrangements (APAs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA).

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- **GASBS No. 96**, *Subscription-Based Information Technology Arrangements*, dramatically modifies accounting and financial reporting for subscription-based information technology arrangements by governments. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in **GASBS No. 87**, *Leases*, as amended.

 - **GASBS No. 99**, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Paragraphs 11 – 25 are effective for FY 2023.
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Attachments with Changes

Attachment 1, Information Required by Comptroller's Directive:

- Attachment 6 questions were updated to remove prior year Attachment 6A and 6B, and to rename prior year Attachment 6D.
- New question 15 was added to gather information for **GASBS No. 91**, *Conduit Debt Obligations*.
- **GASBS No. 60** question was removed and **GASBS Nos. 63 and 94** questions were updated.

Attachment 6, Leave Liability:

- Attachment 6A is now named Leave Liability Statement – Cardinal HCM Users. This attachment is for agencies that use Cardinal HCM for ALL employees.
- Prior year Attachment 6D has been changed to Attachment 6B and renamed “Leave Liability Statement – Non-Cardinal HCM and Hybrid Users.” This is for agencies who do not use Cardinal HCM for ALL employees.
- There is no longer an Attachment 6C or 6D.
- Executive Leave policy has changed and allows agency heads and at will employees to get a payout for a maximum of 10 days of leave upon separation, and should be included on the attachment.

Attachments 9 through 11, Financial Statement Templates:

- Revised for **GASBS No. 96**, *Subscription-Based Information Technology Arrangements (SBITA)* implementation, primarily on Capital Asset and LT Liabilities tabs.
- On the Miscellaneous tab, **GASBS No. 60** questions have been removed and new **GASBS No. 91** and **GASBS No. 94** questions have been added. Additionally, **GASBS No. 63** questions have been modified.

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Attachments with Changes, Continued

Attachment 13, Capital Asset Accounting and Control System (FAACS) Analysis:

- Added question to **Questions – Part 2** tab question 1D for **GASBS No. 96**.
 - Added additional column to **Questions – Part 2** tab to include disposal code on question 2.
 - Added information to **Questions – Part 2** tab question 4 to exclude **GASBS No. 96**, *Subscription-Based Information Technology Arrangements (SBITAs)*.
 - Added information to **Questions – Part 2** tab question 4d to exclude **GASBS No. 96**, *Subscription-Based Information Arrangements (SBITAs)* from Construction-In-Progress and record in Prepaid Items.
 - Added note to **Construction-In-Progress Question – Part 3** tab relating to **GASBS No. 96**.
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Federal Audit Requirements:

This section sets the expectation and provides instructions for Commonwealth entities that are included in the Commonwealth’s [Single Audit](#) to notify the Auditor of Public Accounts when it is known or likely that statewide fiscal year expenditures for a Federal program or a cluster of programs, not in Appendix A, will exceed **\$30 million**.

- 1) Commonwealth entities receiving Federal resources that are subject to [31 U.S.C. Chapter 75: Requirements for Single Audits](#) (Single Audits) are responsible for arranging for the audit required by Title 2 U.S. Code of Federal Regulations (C.F.R.) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) ([§200.508\(a\)](#)). While Commonwealth entities included in the annual [Single Audit](#) of the Commonwealth of Virginia do not need to arrange their own separate Single Audit, management is expected to notify the Auditor of Public Accounts if it is known or likely that the current statewide fiscal year (2023) expenditures for a Federal program or a cluster of programs will exceed **\$30 million** for the first time in three fiscal years (the current fiscal year plus the two immediate prior fiscal years). [Appendix A](#) contains the programs that have exceeded \$30 million at least once in the prior two immediate fiscal years (2021 and 2022), and therefore, no notification to the Auditor of Public Accounts is expected for the programs or cluster of programs in [Appendix A](#).
- 2) When determining if Federal expenditures will exceed \$30 million, Uniform Guidance [§200.502](#) provides the **basis for determining Federal awards expended** that are subject to Single Audit. (*For example, such as: expenditure transactions, disbursement of funds to subrecipients, use of loan proceeds, receipt of property or surplus property, use of program income, distribution or use of food commodities, etc.*) Commonwealth entities should contact the Federal awarding agency, if it is unclear if the Federal resources are subject to Single Audit and/or which basis should be used for determining Federal awards expended. Appendix III of the current year Compliance Supplement on the Office of Management and Budget’s Office of Federal Financial Management [website](#) provides Federal Agency Single Audit, Key Management Liaison, and Program Contacts that may be able to address questions about Federal programs.
- 3) Commonwealth entities are expected to notify the Auditor of Public Accounts using the email address, APAFederal@apa.virginia.gov, when it is known or likely that statewide Federal awards expended for a fiscal year for an individual Federal program or a cluster of programs not listed within Appendix A is expected to exceed \$30 million.

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Appendix A: Listing of individual Federal programs and cluster of programs that have had statewide expenditures exceeding \$30 million in at least one of the prior two fiscal years (2021 and 2022), and therefore, no notification to the Auditor of Public Accounts is expected for these programs and clusters. **Note:** The Federal programs listed on the following pages are in order by Assistance listing number (ALN), formerly known as the Catalog of Federal Domestic Assistance (CFDA). The first ALN in a cluster is used to determine the cluster’s placement within the list.

Assistance Listing Number (ALN)	Name of Federal Program or Cluster (Common Acronym)
10.542	Pandemic EBT Food Benefits
10.551/10.561	Supplemental Nutrition Assistance Program (SNAP) Cluster
10.553/10.555/10.556/10.559/10.582	Child Nutrition Cluster
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
10.565/10.568/10.569	Food Distribution Cluster
11.300/11.307	Economic Development Cluster
12.401	National Guard Military Operations and Maintenance (O&M) Projects
14.228	Community Development Block Grants/State’s program and Non-Entitlement Grants in Hawaii
16.575	Crime Victim Assistance
17.225	Unemployment Insurance
17.258/17.259/17.278	WIOA Cluster
20.205/20.219/20.224	Highway Planning and Construction Cluster
21.019	Coronavirus Relief Fund
21.023	Emergency Rental Assistance Program
21.027	Coronavirus State And Local Fiscal Recovery Funds
47.070	Computer and Information Science and Engineering
64.005	Grants to States for Construction of State Home Facilities
66.458	Clean Water State Revolving Fund Cluster
84.007/84.033/84.038/84.063/84.268/ 84.379/84.408/93.264/93.342/93.364/ 93.925	Student Financial Assistance (SFA) Program Cluster

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Assistance Listing Number (ALN)	Name of Federal Program or Cluster (Common Acronym)
84.010	Title I Grants to Local Educational Agencies
84.048	Career and Technical Education -- Basic Grants to States
84.027/84.173	Special Education Cluster (IDEA)
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States
84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)
84.425	Education Stabilization Fund
93.044/93.045/93.053	Aging Cluster
93.268	Immunization Cooperative Agreements
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
93.498	Provider Relief Fund
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
93.575/93.596	CCDF Cluster
93.658	Foster Care Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program
93.775/93.777/93.778	Medicaid Cluster
93.837	Cardiovascular Diseases Research
93.855	Allergy and Infectious Diseases Research
93.859	Biomedical Research and Research Training
93.958	Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse
96.001	Disability Insurance/SSI Cluster
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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Assistance Listing Number (ALN)	Name of Federal Program or Cluster (Common Acronym)
97.050	Presidential Declared Disaster Assistance to Individuals and Households - Other Needs
Various	Research and Development