

COUNTY OF ORANGE, VIRGINIA

COMPLIANCE AUDIT PURSUANT TO 2 CFR PART 200 (SINGLE AUDIT REPORT)

YEAR ENDED JUNE 30, 2021



ASSURANCE, TAX & ADVISORY SERVICES

COUNTY OF ORANGE, VIRGINIA

TABLE OF CONTENTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 – 2
Independent Auditor's Report on Compliance for Each Major Federal Program, Report on Internal Control over Compliance, and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3 – 5
Schedule of Expenditures of Federal Awards	6 – 8
Notes to Schedule of Expenditures of Federal Awards	9 – 10
Schedule of Findings and Questioned Costs	11 – 13
Corrective Action Plan	14
Summary Schedule of Prior Audit Findings	15



**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of the Board of Supervisors
County of Orange, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, Virginia (County), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 14, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2021-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2021-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. We did identify an instance of noncompliance, described in the accompanying Schedule of Findings and Responses as item 2021-003.

The County's Responses to Findings

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

YB Mares, LLP

Harrisonburg, Virginia
December 14, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON
INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Members of the Board of Supervisors
County of Orange, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Orange, Virginia's (County) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2021. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, Virginia (County) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 14, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Harrisonburg, Virginia
June 3, 2022

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF AGRICULTURE:				
<u>Pass-through payments:</u>				
<u>Department of Social Services:</u>				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Not provided	\$ -	\$ 449,555
Total SNAP Cluster				<u>449,555</u>
<u>Department of Agriculture:</u>				
Child Nutrition Cluster:				
Commodity Distributions	10.555	Not provided	-	158,776
Summer Food Service Program for Children	10.559	Not provided	-	<u>594</u>
				<u>159,370</u>
<u>Department of Education:</u>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	Not provided	-	375,308
COVID-19 School Breakfast Program	10.553	Not provided	-	24,205
National School Lunch Program	10.555	Not provided	-	723,413
COVID-19 National School Lunch Program	10.555	Not provided	-	<u>47,678</u>
				<u>1,170,604</u>
Total Child Nutrition Cluster				<u>1,329,974</u>
<u>Department of Health:</u>				
Child and Adult Care Food Program	10.558	Not provided	-	<u>2,734</u>
Total Department of Agriculture				<u>1,782,263</u>
DEPARTMENT OF DEFENSE:				
<u>Direct payments:</u>				
<u>Department of Defense:</u>				
ROTC Language and Culture Training Grants	12.357	N/A	-	<u>62,800</u>
Total Department of Defense				<u>62,800</u>
DEPARTMENT OF THE INTERIOR:				
<u>Direct payments:</u>				
<u>Bureau of Land Management:</u>				
Payments in Lieu of Taxes	15.226	N/A	-	4,502
<u>Pass-through payments:</u>				
<u>Department of Social Services:</u>				
HAVA Election Security Grants	90.404	Not provided	-	<u>40,788</u>
Total Department of the Interior				<u>45,290</u>
DEPARTMENT OF JUSTICE:				
<u>Direct payments:</u>				
<u>Department of Justice:</u>				
Bulletproof Vest Partnership	16.607	N/A	-	800
<u>Pass-through payments:</u>				
<u>Department of Criminal Justice Services:</u>				
Crime Victim Assistance	16.575	Not provided	-	58,128
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	Not provided	-	25,693
Juvenile Justice and Delinquency Prevention	16.540	Not provided	-	<u>12,500</u>
Total Department of Justice				<u>97,121</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF TRANSPORTATION:				
<u>Direct payments:</u>				
<u>Department of Transportation:</u>				
Airport Improvement Program	20.106	N/A	\$ -	\$ 992,600
<u>Pass-through payments:</u>				
<u>Department of Motor Vehicles:</u>				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	Not provided	-	3,495
Total Highway Safety Cluster				<u>3,495</u>
Total Department of Transportation				<u>996,095</u>
DEPARTMENT OF THE TREASURY				
<u>Pass-through payments:</u>				
<u>Department of Accounts:</u>				
COVID-19 Coronavirus Relief Fund	21.019	Not provided	-	847,578
COVID-19 Coronavirus Relief Fund	21.019	Not provided	1,037,879	5,869,284
Total Department of Treasury			<u>1,037,879</u>	<u>6,716,862</u>
DEPARTMENT OF EDUCATION:				
<u>Pass-through payments:</u>				
<u>Department of Education:</u>				
Adult Education - Basic Grants to States	84.002	VA002A180047/VA002A190047	-	194,863
Title I Grants to Local Education Agencies	84.010	S010S170046/S010A180046/S010A190046	-	740,375
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	H027A170107/H027A180107/H027A190107	-	945,313
Special Education - Preschool Grants	84.173	H173A180112/H173A190112	-	29,404
Total Special Education Cluster (IDEA)				<u>974,717</u>
Career and Technical Education - Basic Grants to States	84.048	V048A170046/V048A190046	-	82,793
English Language Acquisition State Grants	84.365	S365A170046/S365A180046	-	15,731
Supporting Effective Instruction State Grant	84.367	S367A180044/S367A190044	-	137,526
Essa Title IV Student Support and Academic Enrichment	84.424	S424A190048	-	53,018
Education Stabilization Fund				
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	Not provided	-	297,406
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	Not provided	-	614,403
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	Not provided	-	397,816
Total Education Stabilization Fund				<u>1,309,625</u>
Total Department of Education				<u>3,508,648</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<u>Direct payments:</u>				
<u>Department of Health and Human Services:</u>				
COVID-19 Cares Act Provider Relief Fund	93.498	N/A	\$ -	\$ 56,186
Head Start Cluster:				
Head Start	93.600	N/A	-	1,534,154
COVID-19 Head Start	93.600	N/A	-	157,633
Total Head Start Cluster				<u>1,691,787</u>
<u>Pass-through payments:</u>				
<u>Department of Social Services:</u>				
Promoting Safe and Stable Families	93.556	Not provided	-	19,052
Temporary Assistance for Needy Families	93.558	Not provided	-	175,924
Refugee and Entrant Assistance - State Administered Programs	93.566	Not provided	-	308
Low-Income Home Energy Assistance	93.568	Not provided	-	<u>25,603</u>
Child Care and Development Fund Cluster:				
Child Care Mandatory and Matching Funds of the				
Child Care and Development Fund	93.596	Not provided	-	37,851
COVID-19 Aid Early Childhood Foundation Grant	93.575	Not provided	-	<u>155,360</u>
Total Child Care and Development Fund Cluster				<u>193,211</u>
Chafee Education and Training Vouchers Program (ETV)	93.599	Not provided	-	6,762
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Not provided	-	152
Foster Care - Title IV-E	93.658	Not provided	-	301,441
Adoption Assistance	93.659	Not provided	-	255,882
Social Services Block Grant	93.667	Not provided	-	165,097
Chafee Foster Care Independence Program	93.674	Not provided	-	2,471
Children's Health Insurance Program	93.767	Not provided	-	<u>4,109</u>
Medicaid Cluster:				
Medical Assistance Program	93.778	Not provided	-	<u>613,899</u>
Total Medicaid Cluster				<u>613,899</u>
Total Department of Health and Human Services				<u>3,511,884</u>
DEPARTMENT OF HOMELAND SECURITY:				
<u>Direct payments:</u>				
Homeland Security Grant Program	97.067	N/A	-	37,905
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	-	<u>21,313</u>
Total Department of Homeland Security				<u>59,218</u>
Total Expenditures of Federal Awards			<u>\$ 1,037,879</u>	<u>\$ 16,780,181</u>

COUNTY OF ORANGE, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2021

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the County of Orange, Virginia and its component unit, Orange County School Board, under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the Schedule.

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule.

Major Programs – The Single Audit Act Amendments of 1996 and Uniform Guidance establish the criteria to be used in defining major programs. Major programs for the County of Orange, Virginia and its component unit were determined using a risk-based approach in accordance with Uniform Guidance.

Federal Assistance Listing Number – The Assistance Listing is a government-wide compendium of individual federal programs. Each program included in the listing is assigned a five-digit program identification number (Federal Assistance Listing Number), which is reflected in the Schedule.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following are the clusters administered by the County of Orange, Virginia and its component unit: SNAP, Child Nutrition, Highway Safety, Special Education, Head Start, Child Care and Development Fund, and Medicaid.

COUNTY OF ORANGE, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2021

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The County has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4. Non-Cash Assistance

In addition to amounts reported on the Schedule, the County of Orange, Virginia consumed non-cash assistance in the form of food commodities. Commodities with a fair value of \$158,776 at the time received were consumed during the year ended June 30, 2021. These commodities were included in the determination of federal awards expended during the year ended June 30, 2021.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<u>√</u> Yes	<u> </u> No
Significant deficiencies identified?	<u>√</u> Yes	<u> </u> None Reported

Noncompliance material to financial statements noted?	<u>√</u> Yes	<u> </u> No
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Federal Awards

Internal control over major programs:

Material weakness identified?	<u> </u> Yes	<u>√</u> No
Significant deficiencies identified?	<u> </u> Yes	<u>√</u> None Reported

Type of auditor's report issued on compliance for major programs:

- Unmodified for all applicable major programs and applicable compliance requirements.

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

<u> </u> Yes	<u>√</u> No
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Identification of major programs:

Federal Assistance Listing	
Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program
21.019	COVID-19 Coronavirus Relief Fund
Education Stabilization Fund:	
84.425C	COVID-19 Governor's Emergency Education Relief (GEER) Fund
84.425D	COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? Yes √ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

Section II. FINANCIAL STATEMENT FINDINGS

A. Material Weakness in Internal Control

2021-001: Material Weakness Due to Lack of Segregation of Duties

Criteria: There should be adequate segregation of duties relating to journal entries. The authorization of journal entries should not be carried out by the same person who posts journal entries.

Condition: Upon obtaining an understanding of the internal controls of the Broadband Authority, it was noted that there was no formal journal entry approval process.

Context: The Financial Controller is the only person who makes journal entries and codes revenues and expenses in the general ledger. There is no approval process for the Financial Controller's duties. There are also no formal policies and procedures in place to help ensure segregation of duties for the authorization and approval of journal entries.

Cause: There is a lack of formal policies and procedures in place including segregation of duties for journal entries.

Effect: Lack of segregation of duties increases the risk that fraud or error may occur undetected.

Recommendation: We recommend the Broadband Authority implement formal policies and procedures to ensure proper segregation of duties for journal entries.

Views of Responsible Officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

B. Significant Deficiency in Internal Control

2021-002: Significant Deficiency Due to Significant Audit Adjustments

Criteria: The year-end financial statements obtained from the County, School Board, Economic Development Authority, and Broadband Authority should be free of significant misstatements.

Condition: Upon auditing the year-end balances of the County, School Board, Economic Development Authority, and Broadband Authority, there were instances of significant adjustments identified.

Context: Audit entries were required to properly record capital asset additions for the County, capital asset additions, disposals, and construction in progress activity for the School Board, contributions of assets under construction from Orange County to the Broadband Authority, interest expense, prepaid items and accounts receivable for the Broadband Authority, and construction in progress adjustments and sale of land for the Economic Development Authority.

Cause: There was a lack of sufficient review to ensure items noted above were accurately recorded.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

Section II. FINANCIAL STATEMENT FINDINGS (Continued)

B. Significant Deficiency in Internal Control (Continued)

2021-002: Significant Deficiency Due to Significant Audit Adjustments (Continued)

Effect: As noted above, the effect of these transactions was to misstate year-end general ledger balances for the County, School Board, Broadband Authority, and Economic Development Authority. The necessary entries above were significant to the financial statements and were included as adjustments in order to more accurately represent the financial position of each of the above. Failure to record the items noted above is a departure from accounting principles generally accepted in the United States of America.

Recommendation: We recommend the County, School Board, Economic Development Authority, and Broadband Authority increase levels of due diligence in maintaining accurate account balances. We also recommend a thorough review of the general ledger and supporting schedules prior to the audit.

Views of Responsible Officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

C. Compliance Finding

2021-003: Compliance with Security for Public Deposits

Criteria: The Security for Public Deposits Act, contained in the Code of Virginia, Sections 2.2-4400 to 2.2-4411, governs security for Virginia public deposits held in financial institutions. In Virginia, all public deposits must be identified as such to ensure the safety of the deposit.

Condition: Upon auditing cash balances, it was noted that the Broadband Authority's checking account is not identified as a public deposit.

Recommendation: We recommend the Broadband Authority contact the bank to ensure it is properly reported as a public deposit.

Views of Responsible Officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

CORRECTIVE ACTION PLAN

Year Ended June 30, 2021

Identifying Number: 2021-001: Material Weakness Due to Lack of Segregation of Duties

Finding:

Upon obtaining an understanding of the internal controls of the Broadband Authority, it was noted that there was no formal journal entry approval process.

Corrective Action Taken or Planned:

The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence. All journal entries have been and will be reviewed by CEO/Chairman James K. White. The corrective action will be complete by June 30, 2022.

The contact person responsible for the corrective action is Barbara Tilley, Financial Controller of the Broadband Authority.

Identifying Number: 2021-002: Significant Deficiencies Due to Significant Audit Adjustments

Finding:

Upon auditing the year-end balances of the County, School Board, Economic Development Authority, and Broadband Authority, there were instances of significant adjustments identified.

Corrective Action Taken or Planned:

The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence. The County, School Board, Economic Development Authority, and Broadband Authority will communicate to ensure staff are made aware of all journal entries. Journal entries will be monitored throughout the year. The corrective action will be complete by June 30, 2022.

The contact persons responsible for the corrective action are Sara Keeler, Finance Director of the County, Gary Honaker, Chief Financial Officer of Orange County Public Schools, and Barbara Tilley, Financial Controller of the Broadband Authority.

Identifying Number: 2021-003: Compliance with Security for Public Deposits

Finding:

Upon auditing cash balances, it was noted that the Broadband Authority's checking account is not identified as a public deposit.

Corrective Action Taken or Planned:

The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence. The bank has been contacted and requested to identify the accounts as public deposits. The corrective action will be complete by June 30, 2022.

The contact person responsible for the corrective action is Barbara Tilley, Financial Controller of the Broadband Authority.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2021

Identifying Number: 2020-001

Audit Finding:

2020-001: Significant Deficiency Due to Significant Audit Adjustments

Criteria: The year-end financial statements obtained from the County, School Board, Economic Development Authority and Broadband Authority to be audited should be final and free of material misstatements.

Condition: Upon auditing the year-end balances of the School Board, there were instances of material adjustments identified.

Context: Upon auditing the School Board's year-end balances, entries were required to properly record construction in progress. There was a lack of reconciliation of both additions to construction in progress and transfers of completed projects out of construction in progress to depreciable asset classes. In addition, capital lease liability was not recorded.

Cause: There was lack of sufficient review to ensure items noted above were accurately recorded.

Repeat Finding: This is a repeat finding, as the prior year findings were identified as 2019-001, 2018-001, 2017-001, and 2016-001.

Effect: As noted above, the effect of these transactions was to misstate current year net position of the School Board. The necessary entries above were material to the financial statements and were included as adjustments in order to more accurately represent the financial position of each of the above. Failure to record the items noted above is a departure from accounting principles generally accepted in the United States of America.

Recommendation: We recommend the School Board increase levels of due diligence in maintaining accurate account balances. We also recommend a thorough review of the general ledger and supporting schedules prior to the audit.

Corrective Action Taken or Planned:

The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence. The School Board has taken the necessary steps to help ensure that construction in progress and the amounts associated with capital leases are recorded properly.