



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: November 16, 2019

Memorandum to: Michael Carter, Administrator
Smyth County, Virginia

From: Robinson, Farmer, Cox Associates

Regarding: Audit Recommendations

In planning and performing our audit of the financial statements of the County of Smyth, Virginia for the year ended June 30, 2019, we considered the County's internal control structure to plan our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience.

School Board Findings

Cafeteria Account:

The School Board maintains a centralized cafeteria account under the name of the Marion Middle School. Centralized cafeteria accounts should be maintained in the Treasurer's Office and the expenditure of funds from same are subject to appropriations by the Board of Supervisors. We recommend that the School Board transfer this account to the Treasurer's Office and begin preparing an annual budget for centralized cafeteria operations.

County Findings

Sheriff's Bank Account:

The Sheriff's Department maintains a narcotics bank account. This account has not been registered as a public deposit with the State Treasury Department. We recommend that the Sheriff have the bank report the account as a public deposit per requirements of the *Code of Virginia, 1950 as amended*.

Adjustments to Trial Balances

During the audit, we proposed adjustments to the trial balances provided. We recommend that management and the outside consultant review and implement same in the trial balances for fiscal year 2020 audit.

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Social Services Department:

Special Welfare Account:

Currently the Social Services Department holds funds in their special welfare fund that are not held for specific children. The *Code of Virginia, 1950 as amended section 63.2-230* specifically allows local agencies to accept and expend certain funds on behalf of children placed by or entrusted to the local board when no guardian is appointed. It appears that the local agency has deposited additional funds, such as general contributions (i.e. Disaster relief, United Way funds, admin account, rides program) to the special welfare fund. In general, we feel that contributions to the Social Services Department are subject to appropriation by the Board of Supervisors prior to expenditure. As such, we recommend that the Department review the sources and uses of these funds and establish a fund for the receipt and expenditure of non-fiduciary monies. The expenditure of such funds would be subject to an appropriation by the Board of Supervisors.

Additionally, the special welfare bank account has more funds on deposit than are reported in the Special Welfare Ledger. We recommend that a transfer of funds be made so that the bank account equal the ledger balance.

Annual Access Review

The local security officer should perform an annual review of all employees' access to each application with the employee's supervisor(s) to ensure that the access is properly aligned with job responsibilities. During our testing, we were unable to obtain documentation that reviews were performed within the last year for several employees. We discussed with management while on-site and based on inquiry, there was a system malfunction that resulted in the loss of documentation for the annual review performed for some of the individuals. Management will work to ensure that documentation of review is maintained for audit purposes going forward.

Conflicts of Interest Forms

During our review of completed forms, we noted that several forms were not completed in their entirety. All questions should be marked as "yes" or "no" and we recommend that in the event something is not applicable, same be marked as "n/a" to help ensure that the form has been completed in full. Further, someone should review the forms as they are turned in to help ensure that all questions have been answered to help ensure questions are not overlooked.

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