

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Memorandum To: Board of Supervisors and Management
County of Brunswick, Virginia

Date: February 14, 2017

From: Robinson, Farmer, Cox Associates

Regarding: Audit for fiscal year ended June 30, 2016

In planning and performing our audit of the financial statements of County of Brunswick, Virginia as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

However, during our audit, we became aware of deficiencies in internal control and matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated February 14, 2017, on the financial statements of County of Brunswick, Virginia.

We have already discussed (and have previously communicated through the prior year management letter) many of these comments and recommendations with appropriate members of management. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Year-End Close and Account Reconciliations (County and Treasurer)

The former Treasurer was instrumental in the monthly and year-end close including audit preparation work over the years, which included duties not typically performed by constitutional officers. This year, several audit adjustments were necessary including entries to balance funds, correct beginning fund balance, correct accruals (recording of interest income on certificates of deposit, calculation of airport fuel inventory, etc.), and to reclassify state and federal revenues not classified properly and in one instance, a \$90,000 revenue recorded in an expenditure account. Other departments rely on financial reports to file financial and performance reports with state and other funding agencies. The former Treasurer's assistance in reconciling financial data helped to ensure reports were filed timely and accurately. The Treasurer also monitored school funds and actively communicated with management about the status of federal reimbursements. This reliance on the former Treasurer revealed individual departmental weaknesses in internal control after her absence.

The above factors contributed to the reporting of material weaknesses in the report on internal controls in accordance with Government Auditing Standards. We recommend the Treasurer and County Finance Director continue to work together to ensure all financial data is entered and reconciled in a timely manner. Monthly duties should include reconciliations and distribution of financial information to the necessary departments in order to complete appropriate filings. Monitoring should include identification and resolution of discrepancies between the Treasurer's records and individual department records on a monthly basis. The timely processing of transactions and routine monitoring of system reports and financial data will assist in completing the year-end close more timely.

Timeliness of Payments (County and Treasurer)

A late charge of almost \$8,000 was paid as a result of making a late payment on debt in January 2016. The Treasurer and Finance Director have since modified procedures to ensure debt payments are made prior to the due date going forward. In addition, several receipts were not deposited in a timely manner. For example, a receipt dated May 6th was not deposited until June 13th. Receipts should be entered and processed in a timely manner.

Capital Asset and Depreciation Schedules (School Board) - Repeat Comment

The capital asset and depreciation schedules are not being periodically reviewed for completeness and accuracy. Vehicle listings for insurance purposes should be reviewed and matched to the capital asset schedule to ensure that all items are accounted for. Additional identifying information, such as vehicle identification numbers (vin), year, color, or model should be added to the schedules, where available. Capital project activity should be summarized and included and donated or transferred assets should be researched and valued accordingly. The schedules should be updated on an ongoing basis and reviewed for accuracy prior to audit fieldwork. County staff provided an updated schedule for the FY16 audit but School Board staff did not provide an updated schedule or identification of capital asset additions and disposals.

Reimbursement Requests and Filing of Annual School Report (ASR) (School Board)

Due to reconciliation issues, this year's ASR was not filed by the statutory deadline of September 15th. An extension was requested and granted through September 30th but the filing was not made until November 29th. Several reimbursement requests related to fiscal year 2016 activity were not filed as of mid-October, after the ASR deadline extension had passed. Failure to file timely reimbursement requests causes a strain on cash balances and could result in lost funding. The former Treasurer's assistance in reconciling financial data helped to ensure reports were filed timely and accurately. The Treasurer also monitored school funds and actively communicated with management about the status of federal reimbursements.

We recommend management monitor grant activity more closely to ensure reimbursement requests are filed in a timely manner. Our general recommendation is to file reimbursement requests on a monthly basis. In addition, management should work with the Treasurer and County Finance Director to obtain the necessary financial information needed for timely completion and filing of the Annual School Report to the Department of Education.

Cash Receipts (School Board) - Repeat Comment

Cash receipts selected for testing were held between 1 and 29 days before being remitted to the County. Items selected for testing in fiscal year 2014 were held from 0 to 49 days and held for 0 to 17 days in 2015. Of the 25 items selected for testing in FY16, 11 were held for zero to seven days, 6 were held for eight to twelve days, 7 were held for seventeen to twenty days, and 1 was held for 29 days. In order to safeguard funds, we recommend a policy be established regarding the remittance of cash receipts to the Treasurer. The policy should include a threshold and frequency requirement so that funds are remitted in a timely manner in order to be deposited in the bank. In addition, the stamp used to document receipt dates should be used in each instance that funds are collected. This provides a trail of activity and allows an analysis of the timely remittance of funds to the bank/Treasurer.

Statements of Economic Interest (School Board)

In fiscal year 2016, semi-annual filing of statements of economic interest was required. For the December filing, one statement was filed after the deadline on February 29, 2016. Another statement was missing the signature and date. All required filings for the June 2016 deadline were made timely.

There is now a civil penalty of \$250 assessed to any officer who knowingly violates the Act. The Clerk is responsible for notifying the attorney for the Commonwealth of any local officer's or employer's failure to file the required form. The Clerk should continue to monitor these filings and ensure that all members have submitted their forms by the due date or contact the attorney for the Commonwealth, as appropriate.

Review of System Access (Department of Social Services)

The State Department of Social Services requires an annual review of system access. System access (except for ADAPT reviewed for everyone on 10/7/16) has not been reviewed within the last year. Inquiries revealed that the Department is in the process of transitioning several of their systems and everyone's access has to be examined for use in the new systems. We recommend system access be reviewed annually to ensure compliance with State guidelines.

Segregation of Duties - Repeat Comment

Vendor master files are established and maintained by the Financial Services Manager, who is responsible for processing invoices for payment and printing and distributing checks. To mitigate this risk, she distributes check registers to individual departments for review before processing and obtains the Treasurer's signature and Board review of check registers before checks are distributed. In addition, the Finance Director and Treasurer review the general ledger in detail on a monthly basis. The Treasurer's office also has limited staff so they are sometimes responsible for the functions of collecting, recording, and reconciling items.

It is common to find the existence of a lack of segregation of duties in a locality of this size. As this situation is impossible to avoid, we recommend that the department heads continue to cross-train employees and periodically rotate duties in an effort to strengthen internal controls.