

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Date: December 4, 2017

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, 2017, 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

General Ledger Posting:

To meet the reporting requirements of the Auditor of Public Accounts, the Uniform Financial Reporting Manual (UFRM) should be utilized to ensure that amounts are appropriately reported. During our audit, we noted that the Adwolfe Sewer Extension and the Courthouse Construction were posted to an account in the Board of Supervisors department. We recommend that the UFRM be consulted to assist with posting in the future.

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*.

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Sheriff's Credit Cards:

During our review of the Sheriff's credit card statements, we noted local meal purchases on same. Local meals purchased for employees are taxable in most cases. In cases where meals are purchased for inmates, receipts should be marked "meal for inmate" to document same. We recommend that the Sheriff review current practices regarding meal purchases and document the different types of purchases on each receipt. In addition, we have attached a federal taxation guide for review.

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 (ie. 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 less 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 annually 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 also noted one employee whose access in the system did not agree to the provided approval forms. We recommend that management implement a process to ensure that this review and access be updated annually as required.

Comprehensive Services Act Documentation:

During our review of CSA case files, we had a difficult time locating various pieces of information necessary to complete testing in accordance with the APA specifications. Additionally, it appears that CPMT approval is documented in the Board meeting minutes after expenditures have been processed for the month. We recommend that management utilize the Uniform Documentation Inventory provided by CSA to better organize case files. Additionally, CPMT approval should be noted on the FAPT service plan before any services are provided to ensure prior approval has been obtained. Management is in the process of incorporating these changes for fiscal year 2018.

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