



To the Board of Directors
Valley Community Services Board
Staunton, Virginia

In connection with our audit of the financial statements of the Valley Community Services Board (Board) for the year ended June 30, 2017, we have the following comments and suggestions for your consideration.

Review of Liability Forms

During our walkthroughs, we noted procedures in place to determine a customer's financial eligibility, which include completing a liability form. The customer's financial information is entered into the form, and an Engagement Specialist will complete the income qualification to determine if the customer is eligible to receive services at no cost or at a sliding payment scale. Currently, there is no formal review of liability forms being performed. Customers can be set with a zero or specific dollar liability for services, and there is no secondary review of the forms to ensure accuracy. We recommend someone independent of entering the liabilities review the forms for accuracy on a weekly basis.

Status of Previous Management Advice

In our letter dated October 6, 2016, we recommended the following comments which have been fully implemented, partially implemented, or have not yet been implemented:

Documentation of Approval

During our walkthroughs, we noted approval was not consistently documented for journal entries and bank reconciliations. Such approval should be formally documented to ensure the approval and review control procedures have been performed.

We noted that while the Board is being more diligent about documenting review and approval on journal entries and bank reconciliations, there were still instances where the independent formal approval was not documented. We recommend the Board continue to be diligent in performing the formal reviews of journal entries and bank reconciliation, and ensure independent approval is formally documented.

Capital Assets

Formal periodic capital asset inventories are not currently performed. This has the potential to result in items recorded on the capital asset listing which are no longer in service or no longer owned by the Board. In reviewing the capital asset listing, we also noted items placed in service several years ago which are less than the capitalization policy. We recommend reviewing the details of the capital asset listings, performing a physical inventory observation and considering if updates are needed to the existing capital asset policy.

We noted that during the current fiscal year, the Board performed a formal review the capital asset listing and made updates to the capital asset policy as recommended.

Credit Card Purchases

Although consistent with current policy, credit card purchases do not have formal written advance approval. We recommend formal policies and procedures be developed to establish a threshold at which written advance approval is required. This would make credit card purchases consistent with the existing procurement policy, as well as protect against the risk of unauthorized purchases.

We noted during the current fiscal year, the Board implemented a credit card usage policy. The policy includes an established threshold at which written advance approval is required, as recommended.

Uniform Grant Guidance

During the fiscal year 2016, the Board was required to implement the Uniform Guidance (2 CFR 200), which superseded OMB Circular A-133. As part of the new Uniform Guidance requirements, we recommend the Board adopt or amend the current policies and procedures to address these new or revised rules and regulations:

Uniform Guidance Cost Principles

Cost Principles under OMB Circular A-87 have been superseded by the Uniform Guidance Cost Principles (2 CFR 200, Subpart E – Cost Principles). We recommend the Board maintain printed copies of the new Cost Principles, formally adopt as policy, and refer to them when expending federal awards.

Conflicts of Interest Policy

According to 2 CFR §200.112, “The Federal awarding agency must establish conflict of interest policies for Federal awards. The non-Federal entity must disclose in writing any potential conflict of interest to the Federal awarding agency or pass-through entity in accordance with applicable Federal awarding agency policy.” 2 CFR §200.113 further notes, “The non-Federal entity or applicant for a Federal award must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award. Failure to make required disclosures can result in any of the remedies described in §200.338, *Remedies for Noncompliance*, including suspension or debarment.”

Cash Management Policy

Under the new Uniform Guidance rules, there are documentation requirements related to cash management as it pertains to receiving federal funds in advance of expenditures occurring. We recommend the Board adopt a Cash Management policy that addresses when the Board receives federal funding in advance of payment of related federal expenditures. The Board will need to document compliance with 2 CFR §200.302, which requires the financial management system of each non-federal entity to provide written procedures to implement the requirements of §200.305, *Payment*.

Procurement Policy

Non-federal entities are required to comply fully with the procurement rules in the Uniform Guidance. The Board should examine the current procurement policies and procedures to ensure compliance with the following sections of 2 CFR:

- §200.318, *General Procurement Standards*
- §200.319, *Competition*
- §200.320, *Methods of Procurement to be Followed*
- §200.321, *Contracting with Small and Minority Businesses, Women's Business Enterprises, and Labor Surplus Area Firms*
- §200.322, *Procurement and Recovered Materials*
- §200.323, *Contract Cost and Price*
- §200.324, *Federal Awarding Agency or Pass-through Entity Review*
- §200.325, *Bonding Requirements*
- §200.326, *Contract Provisions*

The Board adopted or amended current policies and procedures to address all of these revised rules and regulations.

New GASB Pronouncements

At June 30, 2017, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the Board. The statement which might impact the Board is as follows:

GASB Statement No. 83, *Certain Asset Retirement Obligations*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible assets should recognize a liability based on the guidance in this Statement.

This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement will also enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs.

The requirements of Statement No. 83 are effective for financial statements for fiscal years beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship.

The requirements of Statement No. 84 are effective for financial statements for fiscal years beginning after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017*

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB).

The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of the County's financial statements.

The requirements of Statement No. 85 are effective for financial statements for fiscal years beginning after June 15, 2017.

GASB Statement No. 87, *Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

The requirements of Statement No. 87 are effective for financial statements for fiscal years beginning after December 15, 2019.

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This report is intended solely for the information and use of management, the Board of Directors and others within the Board. It is not intended to be and should not be used by anyone other than these specified parties.

If you have any questions concerning any of these items or if we can be of further assistance, please contact us. We thank you for the opportunity to conduct your audit for the year ended June 30, 2017 and express our appreciation to everyone for their cooperation during this engagement.

P. B. Jones, LLP

Harrisonburg, Virginia
September 29, 2017