



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: February 7, 2023

Memorandum to: Dr. Linda Millsaps, County Administrator

From: Robinson, Farmer, Cox Associates

Regarding: Audit Recommendations

In planning and performing our audit of the financial statements of the County of Floyd, Virginia for the year ended June 30, 2022, we considered the County's internal control structure to plan our auditing procedures for the purpose of expressing our opinion 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.

County

Statement of Economic Interests:

During our review of the required disclosure forms we noted several were incomplete. We recommend the forms be completed thoroughly and in a timely manner.

Management's Response: All future required documentation that will be audited for 100% completion. Documentation forms will be monitored through a checklist for signatures, dates, and form completion in its entirety to eliminate questions of acknowledgment, understanding and responsibility.

Year-End Accrued Invoices & Accounts Payable:

During our audit we found that the County was unable to generate a listing of accrued invoices that agreed to the amount accrued through the batch entry process. We recommend the County ensure during the accrual process that proper documentation is available to provide a necessary paper trail.

Management's Response: Due to training gaps current staff was not able to generate the same list as promptly as was previously available. However, invoices were provided upon request. In the future, the county will utilize a new and more updated financial software that should aid this process.

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County (Continued)

Board of Supervisors Meeting Minutes:

During our audit we found that minutes for August 2022 were not available as of January 2023. We recommend each meeting be summarized and approved at the subsequent meeting to ensure timely meeting minutes are available for review.

Management's Response: All FY22 minutes were provided for the audit. Due to staffing challenges some of the FY23 minutes were not available during the FY22 audit period. They are now complete and available on the website. In addition, to ensure transparency, in the interim, management ensured that both the FY22 and FY23 video recordings were available on the website within 10 days of the meeting. The meetings are also live streamed.

Payroll Tax 941 Forms:

During our audit we found that the quarterly IRS 941 form had not been properly filed. We received the 4th quarter 941 for 2021 when it was completed on September 22, 2022. The form was due to the IRS on January 31, 2022.

Management's Response: Management agrees. During a staff transition, this responsibility was not communicated in error. Once the deficiency was discovered staff complied immediately. While the forms were not completed timely, all taxes were paid on time and documented appropriately. All 941s have been brought current year to date.

System Journal Entries:

During our audit we found the County Finance staff posted multiple journal entries that were not balanced. In addition, some budget transfers were posted as actual transactions and vice versa. We recommend implementing a review process to ensure all journal entries are properly balanced and posted to the correct accounts.

Management's Response: Staff will complete an audit process to ensure all journal entries are balanced and accurate.

Petty Cash:

During our audit we found that petty cash expenditures included a lease payment and payroll corrections. These types of expenditures should be processed through the accounting system and not through petty cash.

Management's Response: Management was following the previous protocol but will make modifications to the process as requested.

Fire & Rescue Fund Balance:

As noted in prior audits, the Fire & Rescue Fund Balance is significantly at a deficit. We recommend the County implement a funding strategy to get the balance back to a positive balance and prevent future deficits.

Management's Response: The Fire and Rescue fund was created in 1987 after a general bond referendum. The debt has been long expired and as such, there is no legal obligation to maintain the fund, although the Board of Supervisors may choose to do so as a policy matter.

School Board

Statement of Economic Interests:

During our review of the required disclosure forms we noted one that was incomplete. We recommend the forms be completed thoroughly.

Management's Response: All future required documentation that will be audited by the Clerk for 100% completion. Documentation forms will be monitored through a checklist for signatures, dates, and form completion in its entirety to eliminate questions of acknowledgment, understanding and responsibility.

Social Services

Monthly LASER Reconciliation:

During our testing, we noted most months there was a small variance between the dollar amount of expenditures reported in the Bright accounting system compared to the Thomas Brothers/LASER systems, as adjusted. We recommend the Social Services reconcile the systems each month to ensure all eligible expenditures are claimed properly.

Management Response: The Office Manager will reconcile each month with a new spreadsheet to better capture all expenditures as requested.

Special Welfare:

During our audit, we found that the Special Welfare ledger in Thomas Brothers did not agree to the reconciled bank account maintained by the Treasurer. We recommend monthly reconciliations of same. Also, we found that some reimbursements included more than one month. We recommend Special Welfare reimbursements be made monthly.

Management Response: The Treasurer and Office Manager reconcile monthly with the bank statement and a spreadsheet provided by the Treasurer. Will provide a reconciliation report at the next audit or if requested.