

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

**Date:** January 21, 2019

**From:** Robinson, Farmer, Cox Associates

**Regarding:** Audit for fiscal year ended June 30, 2018

In planning and performing our audit of the financial statements of County of Brunswick, Virginia as of and for the year ended June 30, 2018, 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.

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) - Repeat Comment**

Other departments rely on financial reports to file financial and performance reports with state and other funding agencies. Audit adjustments were made to correct beginning fund balance and balance pooled cash with bank balances. However, the number and significance of audit adjustments in fiscal year 2018 was not as extensive as the prior two years.

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. Reconciliation procedures should include a review of pooled cash balances against the bank balances and also a review of negative cash balances in each fund to determine if interfund transfers should be recorded. The timely processing of transactions and routine monitoring of system reports and financial data will assist in completing the year-end close more timely. At year-end the The Treasurer currently consults another Treasurer to assist with some year-end processes. During this process, adjustments should be reviewed closely to ensure they were properly recorded. Prior year closing entries and the reversal of those entries must be made in a timely manner with reconciliation of balances performed to ensure pooled cash reconciles to the treasurer's accountability fund, etc. We recommend the Treasurer continue to seek additional training in this area. If deemed necessary, the County should consider using an outside consultant to assist with audit preparation.

## **Building Permits (County)**

One building permit file selected for testing was misplaced and unavailable for review during audit fieldwork. We recommend procedures be implemented for file maintenance to ensure all paperwork is retained and made available for inspection, as needed.

### Statements of Economic Interest (Planning Commission and IDA)

Statements of Economic Interest for calendar year 2018 had to be filed between January 1<sup>st</sup> and February 1<sup>st</sup>. Two planning commission members appointed after the filing deadline of February 1 did not file forms. We recommend that all members file a form even if appointed after the original filing date. In addition, one member of the Brunswick IDA filed an incomplete form. We recommend forms be completed in their entirety and filed by the established deadline.

### Payroll (County)

Upon review of myVRS Navigator system access, one former School Board employee was still listed with active access. However, the role was limited with the individual being reported as a VRS contact with no other assigned roles. We recommend management removed terminated employees from the system in a timely manner.

GASB 75 was implemented in fiscal year 2018. Management must provide data to the actuary for use in valuing the other postemployment liability and related deferred outflows and inflows. Our test of the data found that an employee terminated in September 2017 was missing from the July 2017 data provided to the actuary. We recommend management review the data against payroll records to ensure completeness prior to submission to the actuary.

### Bank Statements and Reconciliations (Treasurer)

Several reconciling items dated between July 2016 and April 2017 that were on the June 30, 2017 bank reconciliation were still included on the June 30, 2018 bank reconciliation. These outstanding items were related to VRS and ICMA payments, which required research by the County Finance office. In addition, similar items for the period July 2017 through June 2018 were included on the June 2018 reconciliation. The Deputy Treasurer has communicated these items with County Finance. We recommend that the Finance Director research and resolve these items in a timely manner to avoid them being carried over into subsequent months.

Several bank accounts held by the Treasurer have limited activity and no formal reconciliations are prepared. However, we recommend that management formally document review of these bank statements and agreement to the general ledger. In the event there is a difference between the bank statement and general ledger, a reconciliation should be prepared.

At least one bank account held by First Citizens Bank still addresses statements and correspondence in the name of the former Treasurer. We recommend the Treasurer contact the bank and update all contact information to reflect her name instead of the predecessor.

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

The capital asset and depreciation schedules are not 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. Management provided an incomplete schedule that included vague details. We recommend management obtain training in this area and also consider whether an outside consultant should be used to assist with audit preparation.

### Cash Receipts (School Board) - Repeat Comment

Cash receipts selected for testing were held between 0 and 12 days before being remitted to the County. Items selected for testing in fiscal years 2014, 2015, 2016, and 2017 were held from 0 to 49 days, 0 to 17 days, 1 to 29 days, and 0 and 28 days, respectively. Of the 25 items selected for testing in FY18, 19 were held for zero to seven days and 3 were held for ten to fourteen days. This was an improvement over the previous four years; however, three items included no date indicating when funds were received. 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.

### Budgets and Appropriations (School Board)

The School Board is categorically funded and the Board of Supervisors must approve transfers between categories. After year-end, the School Board requested budget transfers totaling \$183,643.53 from the instruction category to administration, attendance, and health and technology categories for expenditures in excess of budgeted or appropriated amounts. We recommend management more closely monitor the budget and ensure budget requests are made in a timely manner prior to spending funds.

### 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.