

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Date: January 24, 2017

Memorandum to: Mitch Smith, Interim County Administrator

From: Robinson, Farmer, Cox Associates

Regarding: Audit Recommendations

In planning and performing our audit of the financial statements of County of Grayson, Virginia for the year ended June 30, 2016, we considered the County's internal 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 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:

Unclaimed Property:

During our audit of cash we noted \$29,592 in outstanding checks that had been outstanding for longer than one year. We recommend that checks outstanding longer than one year be turned over to Virginia Unclaimed Property in accordance with the Virginia Unclaimed Property Act.

Credit Card Purchases:

During our review of credit card purchases, we found a number of purchases that were not supported by detailed receipts listing each item included in the purchase. We recommend detailed receipts be maintained as supporting documentation for credit card purchases.

In addition, we noted several credit card purchases that did not fully comply with the County's policy, including using the required purchasing log or travel reimbursement forms. We recommend the County evaluate the internal control process to ensure purchases are performed and documented in accordance with the County policy.

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County: (Continued)

Credit Card Purchases: (continued)

Finally, during our review of credit card purchases, we noted the County is paying finance charges (\$623.50 in total) for untimely and incomplete payments. We recommend the County pay from the summary statement in a timely manner to avoid unnecessary finance charges.

VRS:

During our testing of the VRS system we found one DSS employee that had received a raise that wasn't updated in the VRS system. We recommend the County implement a change to ensure the County staff is aware of salary changes at DSS and therefore updates the VRS system in a timely manner.

In addition, we found the September 2015 VRS payment was confirmed on October 28th and subsequently paid after the October 10th deadline. We recommend the County process payroll in a timelier fashion to meet the VRS reporting deadlines.

Finally, the County's January payment did not agree to the VRS system due to a catch up payment from a previous month that was missed for the Social Services portion of the payment. We recommend the County implement a reconciliation procedure to ensure the County's payment agrees to the VRS system.

Journal Entries:

The County is currently not capable of creating a report that shows journal entries in the accounting system. We recommend the County work with the software vendor to create a report that shows the entry, the reason for the entry, the date of the entry, and who performed the entry. We should be able to choose entries in this report and trace them to the supporting documentation.

Fund Transfers:

During the reconciliation of fund transfers we found a transfer from the Sheriff's department to the School Board. We recommend fund transfers be posted to the proper transfer account and not to another department. In addition, we recommend the County staff periodically review and reconcile the fund transfers, including the transfer to the School Board with the School Board records.

County: (Continued)

Cash Receipts:

During our test of cash receipts we found two instances where cash from the drawer was given to the customer as a refund. We recommend that cash receipts be deposited in the bank intact and if refunds are necessary they should be processed through a Treasurer's check.

Trash Fee Assessment:

During the reconciliation of the trash fee revenue we found an error in the assessment posting. The amount posted to the financial software for billing was \$29,510 less than the assessment. Further inquiry revealed this was likely caused by a software conversion error for properties with multiple residences on them. It was also noted this error happened again with the FY16 trash fee in the fall of 2016 creating a similar variance.

The trash fee also contained billing adjustments of \$55,125 that appears to be the discount provided as part of the discount for tax relief for the elderly and veterans' credit. This discount was not supported with approval by the Commissioner of the Revenue but should be going forward.

Taxes:

During the audit of taxes we noted the personal property tax bills are tracked as invoices in the software and not handled in the same manner as real estate taxes. We recommend the County work with the software vendor to move the personal property taxes to the real estate type module for improved reporting.

The software does not have an option for the Treasurer's staff to enter the postmarked date on tax receipts. This causes penalties to be charged in error when the Treasurer's staff processes timely payments after the tax deadline. We recommend the County work with the software vendor to change the system.

The personal property exoneration reports generated from the system do not have who performed the exoneration or a total by tax year included in the report. We recommend the exoneration reports be updated to include this information.

The tax system has both penalty and interest recorded as penalties. We recommend they change the wording to separate penalty and interest.

County: (Continued)

Taxes: (continued)

During our reconciliation of the tax revenue we noted that County staff did not reconcile the import of the tax assessment to the Commissioner of the Revenue's records. We recommend this reconciliation be performed each time a billing conversion is done. In addition, it does not appear that anyone is reconciling tax collections to billings other than the auditors. It is a good practice to take the assessed levy, add the supplements, remove the exonerations, remove the uncollected taxes, and compare that to tax revenues received.

During the audit we noted the County staff is not printing a detailed delinquent tax listing for either real estate or personal property. We recommend the County print these and review them for accuracy annually at year end.

School Board:

Credit Card Purchases:

During our review of credit card purchases, we found several instances (\$203.97 in total) in which the School Board paid late fees and finance charges. We recommend the School Board pay their credit card bills in a timely manner to avoid unnecessary fees.

Social Services:

Special Welfare:

During our audit of the Special Welfare bank account we noted that the balance per bank exceeds the Thomas Brothers ledger by \$3,094.50. We recommend the Thomas Brothers ledger be reconciled to the bank reconciliation monthly.