

January 20, 2026

To the Honorable Members of the Board of Supervisors
County of Orange, Virginia

In connection with our audit of the financial statements of the County of Orange, Virginia (County) for the year ended June 30, 2025, we have the following comments and suggestions for your consideration.

County

Airport Cash Collection

While testing airport cash collections, we noted there is not clear segregation of duties over the cash collection at the Airport. However, the cash collection balance was trivial and outweighed the need to hire additional staff. We recommend increased segregation of duties involving monitoring of the cash collection activity, as well as monitoring to track whether the amount increases substantially in the future, in which case additional procedures may be needed.

Children's Services Act (CSA) Testing

While testing a sample of pool disbursement transactions from the year under audit, we noted a purchase order was not maintained for one transaction. All transactions should be supported by contracts or purchase orders consistent with local policies and procedures in accordance with the Code of Virginia §2.2-5200-5214 and the CSA policy manual in order to ensure transactions are properly approved and within the scope of eligible services.

Additionally, license verification was not documented for one vendor in the sample for the year under audit, however the license verification was performed for the subsequent period. When required, service providers must meet the licensing requirements included in Section 4.6 of the CSA Policy Manual. Documentation should be maintained to ensure that any service which requires licensure is only rendered by a provider licensed to provide that service in Virginia.

We recommend maintaining adequate documentation for all CSA expenditures including purchase order approval and license verification where applicable in order to ensure all CSA transactions are properly supported and approved.

Virginia Security for Public Deposits Act (SPDA) – Quarterly Verification

During our audit, we noted that the County only performed the SPDA cash verification process with the Virginia Department of the Treasury for three out of four quarters for the fiscal year. The Auditor of Public Accounts (APA) requires quarterly verification of public depository account balances through the SPDA system to ensure timely and accurate reporting of cash positions.

While the other three quarters were completed and appropriately documented, the absence of verifications for the quarter ended December 31, 2024 represents a deviation from the quarterly compliance expectation. This gap may limit the effectiveness of internal controls over cash monitoring and could hinder timely identification of discrepancies.

We recommend the County implement a formal schedule and internal control procedures to ensure SPDA verifications are completed consistently each quarter. This will help maintain compliance with APA expectations and strengthen oversight of public funds.

Unclaimed Property

During our testing of outstanding checks, we noted that several stale checks were late being submitted to the State Treasurer through the required annual unclaimed property filing. We recommend a thorough review of outstanding checks be performed in advance of filing the annual unclaimed property submission to adequately allow for all required due diligence procedures to be performed and for all stale checks to be identified.

Fire Programs Aid to Localities

During our testing of the Virginia Department of Fire Programs APA compliance procedures, we noted that the County's Annual Report on Aid to Localities from the Fire Programs Fund contained an incomplete section. We recommend performing a thorough review of the reporting requirements in order to ensure an accurate and fully completed submission.

School Board

Annual School Report

Each School Board must submit an annual financial report (called the Annual School Report) to the State Board of Education by the deadline determined by the Superintendent of Public Instruction in compliance with the Code of Virginia § 22.1-81. An extension is available, not to exceed 15 days. While an extension was granted for the Annual School Report submission, it was not submitted until after the extension period had lapsed and is considered a late filing. We recommend having policies and procedures in place to ensure a timely and accurate filing of this report.

Timely Reconciliations

While testing the accounts payable balances, there was a delay in obtaining a fully reconciled accounts payable listing by vendor for the School Board Component Unit. Reconciliation of accounts payable balances by vendor, even on a periodic basis, facilitates the identification of errors and adjustments and is a key part of ensuring these amounts are properly recorded.

Similarly, there was a delay in receiving fully reconciled listings for accounts receivable and amounts due from other governments. This increases the risk that errors or adjustments could go undetected.

In order for such reconciliations to be an effective internal control, we recommend timely reconciliations be performed and that all reconciling items be investigated, resolved, and thoroughly reviewed when identified as part of the year-end closing process before the audit occurs.

School Nutrition Fund Budget

Per the Code of Virginia §15.2-2506 and 58.1-3001, no money may be paid out for any contemplated expenditure unless and until the governing body has made an appropriation for the expenditure. When comparing the adjusted appropriations and expenditures for the School Nutrition Fund, we noted that disbursements were made in excess of appropriations. While the amount of the excess was not considered material, we recommend performing a thorough review of expenditures to determine whether additional adjustments to appropriations are needed as part of the year-end closing procedures.

Time Certifications

Per Federal Code Section 200.430, time certifications must be completed after the time frame they are certifying. In addition, time certifications must correctly list the percentage of time worked on the program and are not sufficient support for time spent under one hundred percent. Upon review of time certifications for the Title I and Special Education programs, it was noted that the employees would certify the time certifications two months before the end of the period listed. In addition, there were some instances where the percentage employees certified that they worked was reduced to reflect the budgeted percentage and did not accurately reflect the time spent working on the cost objective. We recommend completing time certifications closer to the end of the period listed and ensuring the percentage worked properly aligns with the time spent on the program.

Davis-Bacon Prevailing Wage Requirements

Per the Davis-Bacon Act, documentation showing that vendors paid their employees no less than the locally prevailing wages must be reviewed for all construction-related vendors with contracts greater than \$2,000. While documentation proving such satisfaction was able to be provided for the Education Stabilization Fund expenses, providing the documentation was greatly delayed due to uncertainty surrounding where the support was located. We suggest more robust procedures be put in place to ensure the documentation proving satisfaction of the prevailing wage requirement is readily accessible.

County of Orange, Virginia, and Component Units

New GASB Pronouncements

At June 30, 2025, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the County. The statements which might impact the County are as follows:

GASB Statement No. 103, Financial Reporting Model Improvements

This Statement will improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

Statement No. 103 will be effective for the County beginning with its year ending June 30, 2026.

GASB Statement No. 104, Disclosures of Certain Capital Assets

The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnership and Availability Payment Arrangements*, should be disclosed separately by major class of underlying assets in capital assets note

disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

The requirements related to Statement No. 104 will be effective for the County beginning with its year ending June 30, 2026.

GASB Statement No. 105, *Subsequent Events*

This Statement will improve the financial reporting requirements for subsequent events by defining subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed.

The requirements related to Statement No. 105 will be effective for the County beginning with its year ending June 30, 2027.

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This report is intended solely for the information and use of management, the Board of Supervisors, School Board and others within the County and 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, 2025 and express our appreciation to everyone for their cooperation during this engagement.

PBMares, LLP

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