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Charles M. Culley, Jr.
County Administrator

January 30, 2026

Rachel N. Reamy
Local Government Manager
Auditor of Public Accounts
PO Box 1295
Richmond, VA 23218

Dear Ms. Reamy:

In accordance with the requirements at Code of Virginia §15.2-2511, please accept this written notification stating the reasons for Caroline County's delay in submitting the required Comparative Report Transmittal Forms and audited Annual Financial Report to the Auditor of Public Accounts (APA) by the December 15 deadline. In summary, the County of Caroline's Fiscal Year 2025 audit remains pending due to implementation of new financial software and unusually high staff turnover in Treasurer's Office and the Finance Department. Staff estimates being able to submit the Comparative Report Transmittal Forms and the audited Annual Financial Report in late February or early March of 2026.

A more in depth explanation is provided below:

- On January 9, 2025, the Deputy County Administrator - Finance left employment with Caroline County. This position was responsible for overseeing the preparation of the annual audit, coordinating with the independent firm under contract to complete the work and, in general, played a key and critical role in the entire audit process.
- On March 24, 2025, the County hired a new Finance Director, in part to oversee these audit related functions. However, this individual left County employment on July 9, 2025. The Finance Director position has remained vacant ever since, with the County Administrator filling in to fulfill the major responsibilities with the assistance of a Deputy Finance Director.
- The Treasurer's Office had been working to convert from the BAI Municipal Software (the "Bright System") accounting system to the Keystone ERP system for many months. Cutover to the Keystone system in the Treasurer's Office occurred on July 1, 2025.
- On August 7, 2025, the Chief Deputy in the Treasurer's Office left County employment. This employee played a key role in the monthly closing process of finalizing all financial transactions, reconciling bank records with accounting systems and balancing registers for the previous month.
- On September 12, 2025, the Treasurer announced her resignation effective October 5, 2025. One week prior to announcing her resignation, the Treasurer hired a replacement Chief Deputy. Unfortunately, this person had no previous experience working in a Treasurer's

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Office, or in local government in general, and thus was not prepared to perform at anything approaching the level of the previous Chief Deputy.

- Shortly after the Treasurer's resignation in October, the County Administrator asked for data to compile a first quarter budget report for FY 2026 and discovered from Treasurer's Office staff that transactions were not being posted to the GL because of issues with the daily close in the Keystone system.
- After talking with Treasurer's Office employees, a decision was made to revert back to the Bright System in the Treasurer's Office effective immediately. To accomplish this reversion, Treasurer's Office personnel had to enter three months' worth of transactions into the Bright system manually. This took the month of October to accomplish.
- The Board of Supervisors and County staff realized that the FY 2025 audit could not be completed with existing staff alone, given all the challenges outlined above. In October, the County awarded a contract on an emergency basis to UHY Advisors Mid-Atlantic, Inc. to provide professional financial and audit preparation services. UHY is under contract to provide 80 hours of Senior Consultant time @ \$150 per hour, 15 hours of Principal time @ \$300 per hour and 5 hours of Managing Director time @ \$400 per hour.
- The County's auditor, Brown Edwards, is under contract and has completed as much preliminary work on the FY 2025 audit as possible to date.
- It is anticipated the audit will be completed by late February or early March.

Any one of the circumstances described above would have individually made it difficult to complete the audit on time. The fact that they all occurred in a brief span of time at critical junctures in the process made the obstacles insurmountable.

Please let me know if any additional information is needed.

Sincerely,



Charles M. Culley, Jr.
County Administrator