



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

January 25, 2019

Bostic, Tucker & Company, P.C.  
PO Box 505  
Lebanon, VA 24266

We have reviewed the working papers for the audit of the County of Scott, Virginia, which includes the County of Scott Public Schools, for the year ended June 30, 2017. The purpose of our review was to determine whether:

- A. the audit complies with the Specifications for Audits of Counties, Cities, and Towns, issued by the Auditor of Public Accounts;
- B. the audit complies with Government Auditing Standards, issued by the Comptroller General of the United States;
- C. the audit complies with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards;
- D. the annual financial report complies with generally accepted accounting principles for governmental entities; and
- E. the auditor has performed the agreed upon procedures for the Comparative Report Transmittal Forms as set forth in the Uniform Financial Reporting Manual, issued by the Auditor of Public Accounts.

We conducted our review in accordance with the 2017 Quality Control Review Program for Audits of Local Governments, developed by the Auditor of Public Accounts. The review was limited to the audit of the County of Scott, Virginia, and did not extend to any other engagements performed by your firm.

During our review, we noted the following deficiencies that the firm should address to further enhance the quality and effectiveness of its local government audits.

**Improve Working Paper Documentation**

*Comment* – Government Auditing Standards and the American Institute of Certified Public Accountants (AICPA) standards require that audit documentation contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from the audit documentation the nature, timing, and extent of audit procedures performed and the evidence that supports the auditor's significant judgments and conclusions. Further, audit documentation should adequately support specific items tested and address all documentation requirements for specific procedures as outlined in the standards. We noted multiple instances in which the working papers did not sufficiently document the nature, timing, and extent of test work performed. Verbal explanations from the auditor were required in order for the reviewer to understand the nature and extent of audit procedures performed, and the overall conclusions reached. Current auditing standards do not allow the use of oral explanations as support for work the auditor performed or conclusions reached.

The firm's documentation for some audit procedures did not demonstrate compliance with professional standards, including those related to group audit, risk assessment, audit sampling, and audit evidence. The firm's risk assessment documentation did not completely identify all of the risks that the auditor identified during planning and did not clearly link the design and performance of further audit procedures to respond to the assessed risks. Further, the firm's working papers did not adequately reflect group audit considerations. We noted some instances where it appears the firm selected a sample; however, the firm did not always document all of the required sampling elements due to not utilizing its sampling form template working paper. Additionally, the working papers were not documented in a manner to demonstrate completion of all state compliance requirements in accordance with the Specifications for Audits of Counties, Cities, and Towns.

*Recommendation* – We recommend the firm ensure it follows all applicable standards when planning, performing, and documenting audit test work. Specifically, we recommend the firm ensure the working papers clearly demonstrate the performance of audit planning and audit procedures required by the standards to ensure documentation clearly reflects the nature, timing, and extent of the procedures and the auditor's related conclusions. Further, we recommend the firm ensure the working papers clearly demonstrate the performance of all procedures required by the Specifications for Audits of Counties, Cities, and Towns.

**Improve Test Work and Documentation to Comply with Uniform Guidance**

*Comment* – The Code of Federal Regulations §200.514 and AICPA standards require the auditor perform and document risk assessment procedures to obtain a sufficient understanding of the direct and material compliance requirements and the entity's internal controls sufficient to plan the audit to support a low assessed level of control risk for the assertions relevant to the compliance requirements. Further, the standards require the auditor to perform audit procedures to test the internal control structure used in administering federal programs and to perform procedures to obtain sufficient appropriate audit evidence about the entity's compliance with the applicable compliance requirements for each major program in response to the auditor's risk assessment. We noted the firm's risk assessment documentation did not identify all applicable compliance requirements, as being direct and material, and the auditor did not document justification for not testing some requirements. Further, we did not identify documentation that specifically demonstrated that the auditor used a risk-based approach for evaluating Type B programs.

We noted instances where the working papers did not clearly demonstrate that the auditor obtained an understanding of internal controls and tested the applicable controls for each major program. The working papers contained limited documentation to identify the relevant controls and the procedures performed to test those controls. The documentation for audit procedures that used a sampling approach did not identify the federal fund source or program nor attributes specific to testing the major programs. This is primarily due to the firm's approach for performing dual purpose testing to review internal control processes related to both the financial statement and federal compliance audit objectives. While a dual purpose test of controls may be an efficient audit approach, the auditor should ensure documentation of dual purpose test work shows attributes, descriptions, and other information that clearly identifies the federal programs being tested and that the federal compliance audit objectives are met.

Further, we noted the working papers did not clearly demonstrate that the auditor obtained sufficient appropriate audit evidence about the entity's compliance with the applicable direct and material compliance requirements. The working papers often contained the auditor's handwritten documentation that was not always legible, which made it difficult to determine the nature, timing, and extent of audit procedures performed and to determine that all of the applicable compliance requirements for the major programs were tested.

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Lastly, some elements required to be reported in the Schedule of Expenditures of Federal Awards and accompanying footnotes were not included in accordance with new federal requirements, and the summary auditor results contained a reporting error that misidentified a program as being audited.

*Recommendation* – We recommend the firm exercise due professional care in complying with AICPA and federal standards when documenting the planning and performance of audit procedures for compliance audits.

We found that for the audit of the County of Scott, Virginia, for the year ended June 30, 2017, except for the deficiencies described above, the working papers appropriately supported the requirements listed in A through E above. Firms can receive a rating of pass, pass with deficiencies, or fail. Bostic, Tucker & Company, P.C. has received a review rating of pass with deficiencies.

We discussed these matters with your firm on January 25, 2019. We will perform a follow up review this year to ensure the firm has addressed the issues we noted during our review.

This report is intended for the information and use of management. However, it is a public record and its distribution is not limited.

Sincerely,

Martha S. Mavredes  
Auditor of Public Accounts

cc: County of Scott  
County of Scott Public Schools  
Virginia Board of Accountancy  
Virginia Society of Certified Public Accountants