



ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

DATE: December 13, 2022

MEMORANDUM TO: Larry Barton, County Administrator
County of Dickenson, Virginia

FROM: Robinson, Farmer, Cox Associates

REGARDING: Audit for the Year Ended June 30, 2022

In planning and performing our audit of the financial statements of County of Dickenson, Virginia for the year ended June 30, 2022, we considered the County's internal control structure to plan our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated December 13, 2022 on the financial statements of the County of Dickenson, Virginia. 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, to perform any additional study of these matters, or to assist you in implementing the recommendations.

County Recommendations

Treasurer's Checks

During our testing, it was noted that employees are having tax amounts withheld from the paychecks which is being deposited with the Treasurer. The Treasurer is then issuing checks to the individual or DCT (Dickenson County Treasurer) and same are held in the safe until the tax bills are generated. Once bills are generated, the checks are cashed and applied to the employees' tax bills. We recommend that the checks from accounts payable be cashed and credited to a prepaid tax liability account until bills are generated rather than issuing Treasurer's Checks to be held in the safe.

Bank Reconciliations

During review of bank reconciliations, we did not see evidence of review and approval of same. We recommend that after the reconciliation is completed, it be signed and dated by the individual that completed the reconciliation. After review, the reviewer should also sign and date to ensure that an audit trail of the review process is available.

Health Insurance Premiums

During our audit, it was noted that health insurance premiums are posted to non-departmental. We recommend that these items be allocated to the respective departments for more accurate financial statement reporting.

Leave Balances

Per review of the County's leave policy, accrued balances should be capped annually. However, based on testing performed, it appears that the system is allowing balances to continue to accrue over the cap amount. We recommend that management review the system settings and the policy to ensure that accrued balances are appropriately reflected in the payroll system.

Disbursements Testing

Currently, the County is issuing itself checks and re-depositing same for ACH and EFT transactions when vendors will withdraw funds directly from the account (for example, for VRS and Health Insurance benefits). We recommend that management work with Bright or another locality to determine how to enter these items as electronic transactions to avoid issuing a check to themselves.

Journal Entry Review and Approval

Currently, there is not a review and approval process for journal entries. We recommend that journal entries be prepared by one individual and reviewed and approved by someone else prior to being entered in the system. The review should be documented by initialing the journal entry and same should be maintained for audit purposes.

Cross-Training and Review Processes

During review, we noted that one individual is responsible for accounts payable processing and one person is responsible for payroll. While others have access within the system to accounts payable and payroll and there are review processes for payables and payroll prior to checks being released, we recommend that management continue to implement processes to cross-train staff and incorporate routine rotation of responsibilities.

School Board Recommendations

Expenditure Coding

Currently, ESSER expenditures are marked on the purchase order for the funding source but are not posted to a separately identifiable project code in the ledger. We recommend that for all significant grant awards, separate project codes be established so that reports can be generated to ensure that amounts requested for reimbursement are accurate and are not accidentally requested under multiple grants.

County and School Board Recommendations

Conflict of Interest and Disclosure Forms

During our review of disclosure forms required to be completed and maintained on hand, we noted one County Board Member and one School Board Member questionnaire that were not completed in their entirety. We recommend that care be taken to ensure that forms are turned in and completed in their entirety. If a section is not applicable, we recommend that it be marked as such to adequately document same.

Reconciliation with County

During review, it was noted that the trial balance provided by the School Board did not agree to balances provided by the County for same. We recommend that a monthly cash-basis reconciliation be performed by the School Board to the Treasurer's records to ensure that cash, revenues, and expenditures agree, and reporting is accurate.

Budget Appropriations

During review, it was noted that the Health Insurance and CIP Funds at the School Board do not have adopted budgets that are appropriated annually. The ARP fund in the County had expenditures but the budget for same was included in non-departmental of the General Fund. Additionally, the General Fund expended funds for the IDA and got reimbursed after year end, but the amounts do not appear to have been appropriated. Going forward, we recommend that a budget be adopted for all funds, and all amounts be appropriated prior to payments being made to vendors. The budget in the system should be reported in the fund/function/department to which the actual expenditure will be reported.

Capitalization Thresholds

We recommend that a formal capitalization policy be established to include right-to-use intangible asset thresholds by types of assets to assist in evaluating leased assets for inclusion in the financial statements with the implementation of GASBs No. 87 during the fiscal year. The policy might also consider the allocation of equipment and maintenance/services for copier equipment when same is not specifically stated in the lease agreement to ensure consistency of reporting.