



**COUNTY OF GOOCHLAND, VIRGINIA**

Audit of Federal Awards Performed in  
Accordance with U.S. Office of Management  
and Budget Circular A-133

June 30, 2010

(With Independent Auditors' Report Thereon)

**COUNTY OF GOOCHLAND, VIRGINIA**

Audit of Federal Awards Performed in  
Accordance with U.S. Office of Management  
and Budget Circular A-133

June 30, 2010

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**County of Goochland, Virginia**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2010**

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
<b>Department of Health and Human Services:</b>		
Pass Through Payments:		
<i>Department of Social Services:</i>		
Family Preservation and Support	93.556	\$ 1,534
Temporary Assistance to Needy Families (TANF)	93.558	142,117
Refugee and Entrant Assistance - Discretionary Grants	93.566	407
Low Income Home Energy Assistance	93.568	8,409
Community Services Block Grant	93.569	657
Payments to States for Child Care Assistance	93.575	78,927
Child Care and Development Fund	93.596	31,701
Chafee Education and Training Vouchers Program	93.599	4,000
Child Welfare Services - State Grants	93.645	1,471
 Foster Care - Title IV-E	 93.658	 97,589
ARRA - Foster Care - Title IV - E	93.658	4,301
Total, CFDA #93.658		<u>101,890</u>
 Adoption Assistance	 93.659	 30,836
ARRA - Adoption Assistance	93.659	2,934
Total, CFDA #93.659		<u>33,770</u>
 Social Services Block Grant	 93.667	 76,643
Independent Living	93.674	2,777
State Children's Insurance Program	93.767	6,894
Medical Assistance Program (Title XIX)	93.778	93,954
 ARRA - Community Services Block Grant	 93.710	 117,721
ARRA - Child Care and Development Fund	93.713	35,886
		<u>738,758</u>
Total Dept. Health & Human Services-pass through		\$ 738,758
<b>Total Department of Health and Human Services:</b>		<b><u>\$ 738,758</u></b>
<b>Department of Agriculture:</b>		
Pass Through Payments:		
<i>Department of Agriculture:</i>		
Food Distribution	10.555	\$ 41,555
<i>Department of Education:</i>		
National school lunch program	10.555	255,234
Total, CFDA #10.555		<u>\$ 296,789</u>
 National school breakfast	 10.553	 77,488
<i>Department of Social Services:</i>		
State Admin Matching Grants for Food Stamp Program	10.561	159,508
		<u>533,785</u>
Total Department of Agriculture-pass through		\$ 533,785
<b>Total Department of Agriculture:</b>		<b><u>\$ 533,785</u></b>

**County of Goochland, Virginia**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2010**

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
<b>Department of Justice:</b>		
Pass Through Payments:		
Crime Victims Assistance	16.575	\$ 27,175
ARRA - Violence Against Women Grant	16.588	16,252
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.803	41,197
		84,624
<b>Total Department of Justice</b>		<b>\$ 84,624</b>
<b>Department of Homeland Security:</b>		
Pass Through Payments:		
<i>Department of Emergency Management:</i>		
Emergency Management Performance Grant	97.042	\$ 16,904
		16,904
<b>Total Department of Homeland Security</b>		<b>\$ 16,904</b>
<b>Department of Education:</b>		
Pass Through Payments:		
<i>Department of Education:</i>		
Title I: Educationally deprived children	84.010	\$ 263,610
Title VI-B: Handicapped state grants	84.027	559,792
Vocational Education: Basic grants to states	84.048	29,575
Title VI-B: Handicapped preschool incentive grant	84.173	15,787
Drug free schools and communities	84.186	4,331
Education Technology State Grants	84.318	5,632
Title II, Part A	84.367	64,942
ARRA - Education Technology State Grants	84.386	7,674
ARRA - Title I Grants to Local Educational Agencies	84.389	112,946
ARRA - Special Education Grants to States	84.391	244,354
ARRA - Special Education Preschool Grants	84.392	10,075
ARRA - State Fiscal Stabilization Fund	84.394	283,567
		1,602,285
<b>Total Department of Education</b>		<b>\$ 1,602,285</b>
<b>Total Federal Expenditures</b>		<b>\$ 2,976,356</b>

**County of Goochland, Virginia**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2010**

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**Note 1 - General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federally assisted programs of the County of Goochland, Virginia. The County's reporting entity is defined in Note 1 to the County's Basic Financial Statements. All federal awards received directly from federal agencies, as well as, federal awards passed through other government agencies, are included on the Schedule.

**Note 2 - Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's Basic Financial Statements.

**Note 3 - Relationship to Financial Statements**

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 999,794
Total primary government	<u>\$ 999,794</u>

Component Unit Public Schools:

School ARRA - Community Services Block Grant	\$ 1,602,285
School Cafeteria Fund	374,277
Total component unit public schools	<u>\$ 1,976,562</u>

Total federal expenditures per basic financial statements \$ 2,976,356

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 2,976,356

**Note 4 - Program Cluster Totals**

Payments to States for Child Care Assistance	93.575	\$ 78,927
Child Care and Development Fund	93.596	31,701
ARRA - Child Care and Development Fund	93.713	35,886
		<u>\$ 146,514</u>

Food Distribution	10.555	\$ 41,555
National school lunch program	10.555	255,234
National school breakfast	10.553	77,488
		<u>\$ 374,277</u>

Community Services Block Grant	93.569	\$ 657
ARRA - Community Services Block Grant	93.710	117,721
		<u>\$ 118,378</u>

Title I: Educationally deprived children	84.010	\$ 263,610
ARRA - Title I Grants to Local Educational Agencies	84.389	112,946
		<u>\$ 376,556</u>

Title VI-B: Handicapped state grants	84.027	\$ 559,792
Title VI-B: Handicapped preschool incentive grant	84.173	15,787
ARRA - Special Education Grants to States	84.391	244,354
ARRA - Special Education Preschool Grants	84.392	10,075
		<u>\$ 830,008</u>

Education Technology State Grants	84.318	\$ 5,632
ARRA - Education Technology State Grants	84.386	7,674
		<u>\$ 13,306</u>



KPMG LLP  
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**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With *Government Auditing Standards***

The Honorable Members of the  
Board of Supervisors  
County of Goochland, Virginia:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Goochland, Virginia (the County) as of and for the year ended June 30, 2010, and have issued our report thereon dated January 3, 2011. Our report was modified to indicate that the County implemented a new accounting standard effective July 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in the County's internal control over financial reporting described in the accompanying schedule of findings and questioned costs as items 2010-1, 2010-2 and 2010-3 to be material weaknesses.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the County in a separate letter dated January 3, 2011.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Supervisors, the County's management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

January 3, 2011



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**Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

The Honorable Members of the  
Board of Supervisors of the  
County of Goochland, Virginia:

**Compliance**

We have audited the County of Goochland, Virginia's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County's major federal programs for the year ended June 30, 2010. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

As described in item 2010-4 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs that are applicable to its Special Education Cluster major program. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct or material effect on each of its major federal programs for the year ended June 30, 2010.





### **Internal Control over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-4 and 2010-5 to be material weaknesses.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2010, and have issued our report thereon dated January 3, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

May 1, 2012, except as to the  
Schedule of Expenditures of Federal Awards,  
which is as of January 3, 2011

## COUNTY OF GOOCHLAND, VIRGINIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2010

#### (1) Summary of Auditors' Results

- (a) The type of report issued on the financial statements: **Unqualified opinion**
- (b) Significant deficiencies in internal control disclosed by the audit of the financial statements: **Yes – findings 2010-1, 2010-2 and 2010-3**
- (c) Material weakness in internal control disclosed by the audit of the financial statements: **Yes – findings 2010-1, 2010-2 and 2010-3**
- (d) Noncompliance which is material to the financial statements: **None noted**
- (e) Significant deficiencies in internal control over major programs: **Yes – findings 2010-4 and 2010-5**
- (f) Material weakness in internal control over major programs: **Yes – findings 2010-4 and 2010-5**
- (g) The type of report issued on compliance for major programs:
  - Qualified for Special Education Cluster's (CFDA Numbers 84.027, 84.173, 84.391, 84.392) allowable costs
  - Unqualified for all other applicable compliance requirements of the Special Education Cluster and for all other major programs and applicable compliance requirements
- (h) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **Yes – findings 2010-4 and 2010-5**
- (i) Major programs: **Special Education Cluster (CFDA Numbers 84.027, 84.173, 84.391 and 84.392), Title 1 Cluster (CFDA Numbers 84.010 and 84.389), Child Nutrition Cluster (CFDA Numbers 10.553 and 10.555)**
- (j) Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**
- (k) Auditee qualified as low-risk auditee under Section 530 of OMB Circular A-133: **No**

#### (2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

##### *2010-1 Year-End Financial Reporting Closing Process*

**Condition** – The County's Director of Finance is responsible for processing the County's financial transactions and reporting the County's yearly financial results through the preparation and issuance of the Comprehensive Annual Financial Report (CAFR). The efficient, effective and timely preparation of the CAFR depends heavily on personnel from various County departments. This process includes closing the County's general ledger, performing appropriate financial analyses and reconciliations of yearly activity, and accumulating the required data to properly prepare the basic financial statements, notes, and supplementary schedules, which are reported within the County's CAFR.

## COUNTY OF GOOCHLAND, VIRGINIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2010

During the fiscal year-end closing and the CAFR audit process, errors related to the County's records were identified by KPMG and County management and adjusted by County management. These errors were considered material to the County's financial statements by County management and KPMG and were attributable to a lack of review of general ledger accounts and reconciliations to ensure complete, accurate and proper reporting of transactions, as evidenced by:

- Cash reconciliations over County accounts were not completed timely such that the time lag between month-end and completion of the reconciliations exceeded three months;
- Certain general ledger accounts as of year-end were not reconciled timely, and
- There was not sufficient review of year end account rollforward and accrual calculations in account areas such as capital assets, taxes receivable and accounts payable, to ensure the completeness and accuracy of entries recorded at year-end to fairly present the assets, liabilities, revenue and expenditures/expenses of the County.

**Criteria** – The Commonwealth of Virginia Code and the Commonwealth of Virginia's Auditor of Public Accounts' (APA) *Specifications for Audits of Counties, Cities and Towns* require that annual financial statements be prepared in accordance with GAAP.

**Cause** – Based upon review of documentation provided and discussions with County personnel, the errors were caused by a combination of factors including:

- The County lacks personnel with adequate knowledge of U.S. generally accepted accounting principles (GAAP) and CAFR reporting;
- Although the County engaged the services of an external certified public accountant in drafting of the financial statements and the CAFR, a thorough management review of schedules and calculations prepared to support year end balances did not consistently occur, and
- While the County made progress in formally documenting policies and procedures to ensure complete, accurate, and proper accrual and presentation of all financial transactions, the timing of preparation did not allow for sufficient time to implement such policies and procedures before the end of the 2010 fiscal year.

Additionally, we noted that due to Finance Department skill set deficiencies, resulting in its inability to prepare the CAFR, the County contracted with an external consultant to assist in the closing of the year-end general ledger and the preparation of the 2010 CAFR.

- The current number of finance personnel and their skill sets are not sufficient for an entity the size and complexity of the County;
- County departmental and component unit personnel do not have sufficient ongoing training specific to governmental GAAP, including an understanding of the preparation of the CAFR, and
- The County made improvements in developing sufficient policies and procedures detailing the responsibilities of personnel for the preparation of the CAFR, including a specific timeline for its development; however, the County should focus efforts going forward on adding a formal process in place to monitor the various departments' adherence to the timeline.

## COUNTY OF GOOCHLAND, VIRGINIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Effect** – If such weaknesses are not addressed, the County’s risk of experiencing material errors in financial accounting and associated internal and external reporting is increased.

**Recommendations** – We recommend the following actions to strengthen the year-end financial reporting closing process:

- Assess staffing levels and make the hiring of any additional finance personnel a mission critical objective;
- Develop a monitoring mechanism to ensure policies and procedures that have been documented and put in place are understood and implemented by various departments throughout the County’s operations;
- Conduct periodic training sessions to enhance governmental GAAP knowledge utilizing various sources and/or venues (e.g., industry-sponsored events (VaGFOA, VaSBO), webcast/webinars and KPMG-facilitated onsite training), and
- Analyze financial systems infrastructure (including staff training across departments) currently supporting the financial reporting function to determine what changes can be made to more effectively and efficiently support the general ledger closing and CAFR preparation processes.

#### **Views of Responsible Officials:**

- Contact Person: John Wack, Deputy County Administrator for Financial Services
- Corrective Action – Management concurs with this finding, particularly as it relates to the majority of the fiscal year ending June 30, 2010. A new County position was established/hired in March 2010 to oversee and coordinate the preparation and issuance of future CAFRs, the Deputy County Administrator for Financial Services. The Corrective Actions that will be/have been undertaken include (but not be limited to) the following:
  1. A number of written financial policies and procedures were developed, and then implemented subsequent to June 30, 2010. Management will continue to refine and update these policies and procedures as needed and monitor compliance, most specifically in regards to Cash Reconciliations for Monthly Closings, which included a goal to close each fiscal month within 60 calendar days of the end of that month.
  2. Staffing levels will continue to be assessed, along with the skill sets of individual employees in various financial management functional areas of the County to effectively support general ledger closings and CAFR preparation. The hiring of any additional personnel will be considered critical, but within the funding limitations of available resources.
  3. Periodic training sessions will continue to be encouraged within available resources, perhaps to include KPMG-facilitated onsite sessions.

## COUNTY OF GOOCHLAND, VIRGINIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2010

#### ***2010-2 Lack of Segregation of Duties and Functioning Controls – Utilities Department***

**Condition** – The County’s Utility Department, on a monthly basis, processes payments related to The County’s Utility Department, on a monthly basis, processes payments related to thousands of customer accounts for three distinct utility service funds (i.e., TCSD, JRSD, and Utilities). To ensure that all transactions are processed completely and accurately, the Utility Department should have well developed accounting policies and procedures. These procedures must be effectively performed by personnel and established in such a way so as to provide for appropriate “checks and balances” with regard to the existence, completeness and accuracy of all financial activity. Specifically, we noted that one Utility Department staff member had the authority to post changes to customer accounts with limited or no supervisory review. Prior to December 2009, the County had certain controls in place where all such adjustments first required the approval of the County Engineer; however, due to personnel turnover, this control procedure was not consistently performed during the current fiscal year.

**Criteria** – Sound internal control policies and procedures should be adopted to allow for the timely preparation of GAAP-compliant financial statements.

**Cause** – Based upon review of documentation provided and discussions with County personnel, the deficiency noted related to a combination of factors including:

- Management and staff turnover;
- A lack of documented internal control policies and procedures;
- The small staff size of the Utility Department and the large number of transactions it processes led to incompatible duties being assigned to certain individuals, and
- Lack of sufficient training and staff knowledge with regard to financial accounting and reporting.

**Effect** – If such weaknesses are not addressed, the County’s risk of experiencing material errors in financial accounting and associated internal and external reporting is increased.

**Recommendations** – We recommend the County continue its efforts to finalize its documentation of existing Finance and Utility Department’s accounting policies and procedures, analyze the design and operating effectiveness of those policies and procedures, and, for those areas where controls are considered missing or deficient, develop and implement additional policies and procedures. Specifically:

- Customer account level maintenance activities should have a dollar threshold so all adjustments are reviewed and approved by a supervisor or a designee in the supervisor’s absence and such steps should be documented, and
- Analyze departmental staffing levels and the skill sets of department personnel aimed at developing a system of cross training of staff, which may include non-Utility Department staff as deemed appropriate, to mitigate the impact of lost knowledge and skill sets during staff turnover or prolonged absences.

## COUNTY OF GOOCHLAND, VIRGINIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2010

#### Views of Responsible Officials:

- Contact Person: John Wack, Deputy County Administrator for Financial Services
- Corrective Action – Management concurs with this finding, particularly as it relates to the majority of the fiscal year ending June 30, 2010. The Corrective Actions that will be/have been undertaken include (but not be limited to) the following:
  1. A number of written financial policies and procedures were developed, and then implemented subsequent to June 30, 2010. Management will continue to refine and update these policies and procedures as needed. More specifically, staff feels that appropriate supervisory review and documentation of utility account adjustments is now being maintained.
  2. Staffing levels will continue to be assessed, along with the skill sets of individual employees in various financial management functional areas of the County.

#### *2010-3 Lack of Segregation of Duties and Functioning Controls – Treasurer's Office*

**Condition** – The County Treasurer's Office, on a monthly basis, processes payments related to thousands of customer accounts for various taxes, intergovernmental revenues and other miscellaneous receipts, and prepares cash reconciliations over related accounts to ensure the safeguarding of County assets and the complete and accurate reporting of related activity. To ensure that all transactions are processed completely and accurately, the Treasurer's Office should have well developed accounting policies and procedures. These procedures must be effectively performed by personnel and established in such a way so as to provide for appropriate segregation of duties with regard to the safeguarding of County assets.

During the audit, we determined that adequate segregation of duties does not exist within the Treasurer's office. For example, we noted:

- Treasurer has the ability to initiate, approve and post wire transfers without a secondary review and approval, and
- Treasurer has access to post entries to the general ledger system and assists in the preparation of cash reconciliations for certain bank statements on a monthly basis.

**Criteria** – Sound internal control policies and procedures should be adopted to allow for the timely preparation of GAAP-compliant financial statements.

**Cause** – Based upon review of documentation provided and discussions with County personnel, the following causes included:

- Routine procedures have not been effectively delegated among County staff to appropriately segregate duties to increase the efficiency and effectiveness of operations, and
- Lack of sufficient training and staff knowledge with regard to financial accounting and reporting

**Effect** – If such weaknesses are not addressed, the County's risk of experiencing material errors in financial accounting and associated internal and external reporting is increased.

## COUNTY OF GOOCHLAND, VIRGINIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Recommendations** – We recommend that the Treasurer review current operating processes and procedures to identify any areas where steps and/or actions can be efficiently and effectively delegated to other County staff, including but not limited to segregating responsibility for initiating, approving and posting wire transfers and independently verifying the accuracy of monthly cash balances.

#### **Views of Responsible Officials:**

- Contact Person: John Wack, Deputy County Administrator for Financial Services
- Corrective Action – Management concurs with this finding, which is directed to functions currently performed by a Constitutional Officer (Treasurer) and subordinate staff. The Corrective Actions that will be undertaken include (but not be limited to) the following:
  1. A number of written financial policies and procedures were developed, and then implemented subsequent to June 30, 2010. Management will continue to refine and update these policies and procedures as needed and monitor compliance, most specifically in regards to Cash Reconciliations for Monthly Closings, which included a goal to close each fiscal month within 60 calendar days of the end of that month.
  2. The County Administration will encourage the Treasurer's Office to compile additional written procedures that document the appropriate segregation of duties between employees in that office and in other County departments.
  3. Staffing levels will continue to be assessed, along with the skill sets of individual employees in various financial management functional areas of the County to effectively support general ledger closings and minimize risks for potential abuse of County assets without secondary review and approval. Based on this assessment, duties and/or staffing may need to be adjusted within available resources. For example, changes might include bank reconciliations being done by staff outside of the Treasurer's office and journal entries should be entered by the Finance Department.

### **(3) Findings and Questioned Costs Relating to Federal Awards**

#### ***2010-4 Allowable Costs***

**Program** – Special Education Cluster (CFDA Numbers 84.027, 84.173, 84.391 and 84.392 – U.S. Department of Education – Commonwealth of Virginia Department of Education – Award Numbers H027A090107, H173A090112, H391A090107 and H392A090112 – Period of Availability July 1, 2009 – September 30, 2011)

**Condition** – Although the County established a policy requiring the completion of time certifications for personnel costs charged to the Special Education Cluster, the certifications were not completed properly. Specifically, for 15 personnel, the certifications for the periods from August 2009 through December 2009 and January 2010 through June 2010 were provided to the personnel on August 24, 2009 and January 4, 2010, respectively. These personnel certified their time before the six-month period was completed, not after the fact as required by federal regulations.



## COUNTY OF GOOCHLAND, VIRGINIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Criteria** – Per OMB Circular A-87, Attachment B 11(h) – “When employees charge time solely on one Federal award, the charges for salaries and wages must be supported by at least semi-annual certifications that the employees worked solely on that program. The certifications must be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.”

**Cause** – Employees did not complete the required time certifications.

**Effect** – Noncompliance with OMB Circular A-87 may result in reduced funding for these programs.

**Questioned Cost** – Undeterminable; however, total payroll costs related to the Special Education Cluster and charged to the grant were approximately \$782,000.

**Recommendation** – The County should require employees to complete and sign certifications of time charged to federal programs after they have worked that time as required by OMB Circular A-87.

#### Views of Responsible Officials

- Contact Person: Ernie McLeod, Director of Finance and Operations
- Corrective Action: School Management concurs with this finding, as the time sheets were not signed correctly. The School’s Director of Special Education will require employees compensated with federal grant funds to complete and sign the required time certification forms on the last working day of each biannual reporting period (December 30 and June 30).
- Anticipated Completion Date: June 30, 2012

#### *2010-5 Eligibility*

**Program** – Title 1 Cluster (CFDA Numbers 84.010 and 84.389 – U.S. Department of Education – Commonwealth of Virginia Department of Education – Federal Award Numbers – S010A090046 and S389A090046 – Federal Award Year 2009)

**Condition** – The established policy requiring the completion and approval of appropriate eligibility forms was not followed as two of 40 participants sampled did not have the required teacher approval signature denoting their evaluation and approval of the student for participation in the program.

**Criteria** – Per 34 CFR part 200.2(a)(1) “Each State, in consultation with its LEAs, must implement a system of high-quality, yearly student academic assessments that includes, at a minimum, academic assessments in mathematics, reading/language arts.” Subsidy payments may be paid on behalf of a child only if all of the specific eligibility requirements are met. Program requirements require that documentation supporting the eligibility of participants be maintained by the grantee.

**Effect** – Noncompliance with OMB Circular A-133 may result in reduced funding for this program.

**Questioned Cost** – None noted as all students were eligible to participate in the program.

## **COUNTY OF GOOCHLAND, VIRGINIA**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2010

**Recommendation** – Procedures should be re-emphasized to ensure that all control steps in place are performed and documented in accordance with County and grantor requirements.

#### **Views of Responsible Officials**

- Contact Person: Stephen Geyer, Director of Elementary Education
- Corrective Action: School management concurs with this finding, as two of 40 participants sampled did not have the required teacher approval signature denoting their evaluation and approval of the student for participation in the Title I program. The division's Director of Elementary Education will require the Title I teacher(s) and the building principal(s) to confirm that the teacher approval status of all eligible students is complete and subsequently sign the following confirmation form (Form 34) annually, no later than June 15.
- Anticipated Completion Date: June 30, 2012