

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Date: December 18, 2017

Memorandum to: Patricia Green, County Administrator
Tazewell County, Virginia

From: Robinson, Farmer, Cox Associates

Regarding: Audit Recommendations

In planning and performing our audit of the financial statements of the County of Tazewell, Virginia for the year ended June 30, 2017, 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. 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.

School Board Findings

Capital Asset Listing:

During our review, it was noted that there is currently no VIN or other identifying number included on the listing which makes it difficult to ensure that the correct assets have been removed when there are disposals. It was also noted that there are numerous assets that are still included on the list that have been fully depreciated for some time. While there is no net impact of same, we recommend that management perform a detailed review of the capital asset list to ensure that only assets still on hand and in use are included on the listing. Where possible, we recommend that identifying numbers be added to the listing. Going forward, all additions should include an identifying number to more easily track and dispose of assets in future years.

Bank Accounts:

Per the Code of Virginia, all bank accounts should be maintained by the Treasurer, including those related to the School Board. During our audit, it was determined that there was an escrow account consisting of unspent capital lease proceeds that was maintained by the School Board. The same account was not appropriately reflected in the financial statements for fiscal year 2016 as it was not recorded on the general ledger. We recommend that going forward, all bank accounts be in the custody of the Treasurer.

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County Findings

Credit Card Documentation:

Sufficient detailed documentation should be maintained for all expenditures, including those on credit cards. We noted several instances in which adequate supporting documentation was not maintained for credit card purchases. Additionally, the County is exempt from sales tax on purchases and there were numerous instances where sales tax was paid on credit card transactions. We recommend that management continue to educate staff on the appropriate use of credit cards and related documentation necessary to be turned in.

Cell Phone Allowances:

Per IRS regulations, cell phones are considered listed property and the non-business portion of amounts provided to employees should be included as taxable wages. Substantiation requirements must be met for amounts to be excluded from wages report to the IRS (i.e. personal cell phone bills should be provided to substantiate the allowance provided). We noted that several employees are provided with cell phone allowances and recommend that management review its reporting and documentation to ensure that the County is appropriately reporting wages to the IRS for same.

PPTRA Credits:

The amount of personal property tax relief (PPTRA) credit given on tax bills had not exhausted the PPTRA received from the state. While it is acceptable to leave a portion to allow for supplements and abatement, the amount not credited on tax bills should be exhausted in future years. We recommend that PPTRA revenues received in recent years versus credits given to taxpayers be reviewed to determine the net amount of unused PPTRA credits. This should be factored into the future tax rate in order to allow for the full credit of PPTRA amounts.

Workforce Investment Expenditures:

In the event that costs will be allocated to various programs, including those that will be reimbursed with federal funds, we recommend that adequate documentation be maintained to support the allocations and requested amounts. While the amounts requested appeared reasonable, we were unable to locate documentation for several expenditures allocated to workforce investment.

The workforce investment program is administered by a third party. During our audit, we were unable to locate a contract with the external party that detailed the responsibilities and terms of the agreement. Going forward, we recommend that contracts be maintained when external parties will be utilized for administering programs.

Social Services Department:

Business Continuity Plan

During our review of the Business Continuity Plan, it was noted that the plan does not address the three types of disruptions required by the State. We recommend that appropriate personnel review the VDEM guidelines and update the Business Continuity Plan accordingly. Additionally, the VDEM plan template should be referenced to assist in preparing and updating the business continuity plan on an annual basis. Guidelines can be found at the following website: <http://www.vaemergency.gov/emergency-management-community/emergency-management-plans/local-government-coop-resources>. Management is working on updating the Plan based on the audit recommendation but based on the detailed nature of same, the updates are still in process.

Special Welfare Account

Currently the Social Services Department holds funds in their special welfare fund that are not held for specific children. The *Code of Virginia, 1950 as amended section 63.2-230* specifically allows local agencies to accept and expend certain funds on behalf of children placed by or entrusted to the local board when no guardian is appointed. It appears that the local agency has deposited additional funds, (ie. ACR screenings, Children's Christmas, VHDA, etc.) to the special welfare fund. In general, we feel that contributions to the Social Services Department are subject to appropriation by the Board of Supervisors prior to expenditure. As such, we recommend that the Department review the sources and uses of these funds and establish a fund for the receipt and expenditure of non-fiduciary monies. The expenditure of such funds would be subject to an appropriation by the Board of Supervisors.

Additionally, the special welfare bank account has less funds on deposit than are reported in the Special Welfare Ledger. We recommend that a transfer of funds be made so that the bank account equal the ledger balance.

Comprehensive Services Act Documentation:

The Organization is required to maintain service contracts with all vendors. During our testing, we were unable to locate the service contract covering fiscal year 2017 for one vendor tested. We recommend that management ensure that all service contracts are available at the time of audit.

Monthly reconciliations should be prepared to compare CSA revenues and expenditures per Thomas Brothers to the general ledger balances. During our testing, we were able to agree the CSA reimbursement request expenditures to the Thomas Brothers check register; however, we were unable to agree CSA expenditures to the general ledger. It appears that there are revenues being netted against the expenditures, but we were unable to confirm same. We recommend a monthly reconciliation be prepared to ensure that the general ledger has the appropriate balance. Additionally, we recommend that revenues and expenditures be shown gross.