

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Date: December 12, 2019

Memorandum to: Brian Carter, CPA, Finance Director

From: Robinson, Farmer, Cox Associates

Regarding: Audit Recommendations

In planning and performing our audit for the year ended June 30, 2019, we considered the County's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit fieldwork, 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.

Review of Financial Reports:

As reported in the audited financial statements (schedule of findings and questioned costs), we noted a number of adjustments that were necessary for the books to be presented in accordance with current reporting standards. To improve financial reporting, we recommend that the County Finance Director begin performing a final review of the School Board financial reports to ensure the books agree with subsidiary detail ledgers and or other supporting documentation.

Statements of Economic Interest:

During our review of economic interest statements (SOEI), we were unable to locate some of these forms for Board Members of the IDA and the Ferrum Water and Sewage Authority. The Code of Virginia, 1950 as amended requires the County to maintain these forms for all Authority appointees. In the future, the County should request that Board Members of these entities provide copies of the SOEI forms annually to the County.

EMS Revenue:

The County's EMS billings are handled through a third-party billing agency. The County current records revenue as collections are remitted to the County; however, a formal reconciliation of billings to collections is not performed. As this revenue source has grown significantly, we recommend that the County begin a reconciliation of billings to collections taking into account (and reviewing) adjustments to customer accounts.

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Delinquent Tax Balances:

Currently, the County does not maintain control accounts in the general ledger to document the balance of outstanding taxes. We recommend that the County established control accounts to track outstanding tax balances and reconcile those accounts (and collections) to delinquent tax reports periodically. We understand that the County is working toward implementation of this recommendation in 2020.

Social Services Department

View Program:

During our review of View Program direct expenses, we noted that some of these expenses were administrative in nature (agency van repairs, etc..). We do not typically see administrative costs being paid directly with View funds and recommend that the Department inquire with the State Department of Social Services as to the appropriateness of same.

Segregation of Duties:

Currently, the individual responsible for maintain the social services books and entering payment data is also the person that mails checks to vendors. To create a proper segregation of duties, we recommend someone independent of payment processing match up signed checks with remittances slips and control the mailing of same to vendors.

School Board

School Cafeteria Funds:

The School System maintains certain school cafeteria funds outside of the Treasurer's custody. We believe these funds represent a centralized cafeteria fund and therefore should be held in the Treasurer's custody and reported in the County's accounting system. We recommend that the School System turn custody of these funds over to the Treasurer's Office and begin preparing an annual budget for appropriation by the Board of Supervisors.

Self-Insurance Fund:

The School Board is self-insured for employee health coverage; however, a separate fund has not been established to ensure the carryover of funds from one fiscal year to the next. We recommend that the School Board establish a self-insurance fund to track the receipt and deposit of employer and employee payments to the plan as well as disbursements and balances of plan assets.

School Board Capital Assets:

The listing of capital asset additions for the fiscal year required significant adjustment by the Auditor. We recommend, in future periods, that the County Finance Director work with the School Board to ensure that asset addition listings take into account current capitalization policies and consider accrual entries that affect same (retainage and construction payables).

Comprehensive Services Act (CSA):

Refunds:

During our review of the Special Welfare Account, we noted that the CSA program is receiving reimbursements from same; however, in some cases these reimbursements were not reported in a timely manner to the State. In the future, CSA recoveries should be reported to the State in the month of receipt.

CSA Case Files:

During our review of CSA case files, we noted the following items of concern:

- Current contracts for service could not be located for some of the vendors used in the program.
- CPMT approval and/or CSA Director approval could not be located for some payments.
- In some instances, CSA payments were made outside of the documented window (time period) of services authorized.
- In some instances, CSA payments exceeded the cost per unit (daily rates) approved by CPMT.
- CSA files were not properly maintained and required audit follow-up. In some cases, documentation was not properly maintained within the case files and we also noted that some documents were filed in the wrong case file.

Based on the aforementioned; the County is at risk of State sanctions related to the operation of this program. We strongly recommend that the County allocate additional resources to the CSA Program to ensure compliance with State requirements for the use of CSA funds.