



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

July 2, 2015

Michael B. Cooke, CPA, PC  
2001 South Main Street, Suite 6  
Blacksburg, VA 24060

We have reviewed the working papers for the audit of the Town of Christiansburg, Virginia, for the year ended June 30, 2014. 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 Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations;
- D. the annual financial reports comply 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 2014 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 Town of Christiansburg, Virginia, and did not extend to any other engagements performed by your firm.

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

### **Improve Working Paper Documentation**

*Comment* - The firm did not fully document the audit work performed within its working papers. Government Auditing Standards and 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.

We noted that the working papers did not contain sufficient documentation for us to determine what procedures had been performed, how samples were selected, and the conclusions reached. There were numerous instances where the working papers did not clearly define the objective, scope, or conclusions of test work performed.

*Recommendation* – The firm should fully document its audit work as required by Government Auditing Standards and AICPA standards.

### **Document Consideration of Accounting Estimates**

*Comment* - The firm did not document its analysis related to accounting estimates. AICPA standards require that, for those accounting estimates that give rise to significant risks, the auditor should document the basis for his/her conclusions about the reasonableness of accounting estimates and their disclosure and indicators of possible management bias, if any.

*Recommendation* – The firm should document its consideration of accounting estimates and the basis for its conclusions about the reasonableness of those estimates and their disclosure and indicators of possible management bias, if any as required by AICPA standards.

### **Improve Sample Documentation**

*Comment* - When selecting a sample of items for testing, AICPA standards require the auditor to consider the relationship of the sample to the relevant audit objective, the auditor's allowable risk of incorrect acceptance or assessing control risk too low, characteristics of the population, and tolerable misstatement or the maximum rate of deviations from prescribed controls that would support the planned assessed level of control risk. During our review we noted an overall lack of sampling documentation.

*Recommendation* - When selecting a sample of items for testing, the firm should document all of the elements required by AICPA standards.

**Improve Fraud and Risk Assessment and Evaluation of Controls**

*Comment* - The firm's fraud and risk assessment documentation has greatly improved since our last review; however, the documentation of the linkage between the risk assessment and the planned audit work for each of the relevant assertions for material balances/classes of transactions, the justification of the risk assessment, and the planned responses to significant fraud risks continues to be inadequate. In addition, while the firm's working papers did indicate that the firm obtained an understanding of some internal controls relevant to the audit of the financial statements, there was little documentation indicating that the design and implementation of those controls were evaluated as is required by AICPA standards.

*Recommendation* – The firm should follow AICPA standards with respect to risk assessment and evaluation of the entity's internal controls.

**Document Communication with Those Charged with Governance**

*Comment* - AICPA standards require that the auditor communicate an overview of the planned scope and timing of the audit to those charged with governance. The firm did not document this communication in the audit working papers.

*Recommendation* – The firm should follow AICPA standards with respect to communication with those charged with governance and document such communication in the audit working papers.

We found that for the audit of the Town of Christiansburg, Virginia, for the year ended June 30, 2014, the working papers did not support the requirements listed in A through E above. Firms can receive a rating of pass, pass with deficiencies, or fail. Michael B. Cooke, CPA, PC has received a review rating of fail.

We discussed these matters with your firm on June 25, 2015. We will perform a follow up review in the coming 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: Town of Christiansburg  
Virginia Board of Accountancy  
Virginia Society of Certified Public Accountants