



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: December 6, 2022

Memorandum to: Shawn Utt, County Administrator
Smyth County, Virginia

From: Robinson, Farmer, Cox Associates

Regarding: Audit Recommendations

In planning and performing our audit of the financial statements of the County of Smyth, 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. 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 Recommendations

Cafeteria Account

The School Board maintains a centralized cafeteria account under the name of Marion Middle School. Centralized cafeteria accounts are subject to appropriation by the Board of Supervisors and should be maintained in the Treasurer's Office. We recommend that the School Board transfer this account to the Treasurer's Office and annual budget for centralized cafeteria operations be prepared annually.

Reimbursement Request Timeliness

During our review, we noted several reimbursement requests that were not filed in a timely manner to ensure that revenues and expenditures can be appropriately matched. Per inquiry, the programs were new during the prior year and additional part-time staff was hired to assist with processing requests to ensure timeliness. Based on review, the first half of the year's requests were not filed timely, but by the end of the year requests appear to have been filed in a timely manner.

County Recommendations

Public Deposit Accounts

There are two bank accounts that have not been registered as a public deposit with the State Treasury Department. The first bank account is the Sheriff's Department narcotics account and the other is the Transfer Station Construction Fund account that was opened during the year. Per confirmation from the bank, the Transfer Station Construction account was coded incorrectly when opened but it has been corrected as of October 4, 2022. We recommend that the Sheriff have the bank report the narcotics account as a public deposit per requirements of the *Code of Virginia, 1950 as amended*.

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RD Compliance

On April 13, 2018, we received a copy of a letter sent from Rural Development to the County requesting that the County separate the water and sewer systems into separate funds for the audit report. We performed this allocation in the audit process for fiscal year 2022; however, we recommend the County separate the funds in their accounting records.

Sewer Billings to Localities

Based on inquiry and review, it appears that there is no reconciliation for sewer amounts billed to localities to ensure subsequent collection of same. We recommend that a process be implemented wherein County personnel review billed and collected amounts to ensure that all amounts are received in a timely manner.

Capital Projects Funds

During the year, one Fund was used to track capital projects for governmental activities and business-type activities. Activity has been separated for final reporting, but we recommend that a new Fund be established so that projects for governmental and business-type activities can be appropriately tracked separately to ensure reporting is accurate.

Purchase Orders

Per inquiry, purchase orders are not required for all purchases but there is not an established threshold over which purchase orders would be required. We recommend that management review its procurement and small purchasing policy and consider adding a dollar threshold over which purchase orders will be required. If certain types of purchases do not require purchase orders (i.e., routine, monthly bills) we recommend that a policy and process be established for same.

Fire Program Funds

Documentation should be obtained and reviewed from the local fire departments that receive pass-through Fire Program Funds. Same should be reviewed and used for the annual report that is filed. Documentation should be maintained for audit purposes to verify amounts reported and to ensure compliance of expenditures under the program.

Appropriations

Several departments appear to have exceeded appropriations during the year. We recommend that budget to actual reports be reviewed on a routine basis and that supplemental appropriations be approved by the Board and posted to the ledger in a timely manner.

Department of Social Services Recommendations

EBT Card Issuance and Authorization

Based on testing performed, we noted one instance out of 53 tested in which the individual that authorized an EBT card was the same individual that issued the card. Access to the EBT vault and authority to issue cards should be limited to individuals that do not have authority to authorize cards.

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Approval of CSA Treatment Services

The Family Assessment and Planning Team (FAPT) should review and approve an annual service plan for all services to be provided under CSA, with the exclusion of foster care maintenance payments that do not require same. Additionally, services and payments from CSA should be approved by the Community Policy and Management Team (CPMT). We were unable to locate CPMT approval for services provided for one of 25 CSA disbursements tested; however, we did note that the purchase was in line with the FAPT approved annual service plan.

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, such as general contributions (i.e. Disaster relief, United Way funds, admin account, rides program) 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 more 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.

County and School Board Recommendations

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.

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