



ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

DATE: November 19, 2021

MEMORANDUM TO: Larry Barton, County Administrator
County of Dickenson, Virginia

FROM: Robinson, Farmer, Cox Associates

REGARDING: Audit for the Year Ended June 30, 2021

In planning and performing our audit of the financial statements of County of Dickenson, Virginia for the year ended June 30, 2021, 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. This letter does not affect our report dated November 19, 2021 on the financial statements of the County of Dickenson, Virginia. 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, to perform any additional study of these matters, or to assist you in implementing the recommendations.

County Recommendations

Reserve Balances

During our audit, we noted that reserve balances are below best practice standards and the threshold require for the VRA Refunding Issuance which will be effective at the end of fiscal year 2022. There are several metrics or calculations that can be used to evaluate reserves. Generally, we compare unassigned fund balance in the General Fund to current year expenditures of the General Fund and School Board (less any contributions between the two entities). In 2021 and 2020, this calculation results in reserve balances of 7.49% and 5.4%, respectively. GFOA best practices recommend a reserve of two months (or approximately 16.7%) and we recommend a range from 10% - 20% depending on ongoing projects or endeavors of the locality. We recommend that management keep these reserve balances in mind throughout the year and work to increase reserves in line with best practice recommendations.

Treasurer's Checks

During our testing, it was noted that employees are having tax amounts withheld from the paychecks which is being deposited with the Treasurer. The Treasurer is then issuing checks to the individual or DCT (Dickenson County Treasurer) and same are held in the safe until the tax bills are generated. Once bills are generated, the checks are cashed and applied to the employees' tax bills. We recommend that the checks from accounts payable be cashed and credited to a prepaid tax liability account until bills are generated rather than issuing Treasurer's Checks to be held in the safe.

County Recommendations (continued)

Bank Reconciliations

During review of bank reconciliations, we did not see evidence of review and approval of same. We recommend that after the reconciliation is completed, it be signed and dated by the individual that completed same. After review, the reviewer should also sign and date to ensure that an audit trail of the review process is available.

Health Insurance Premiums

During our audit, it was noted that health insurance premiums are posted to non-departmental. We recommend that these items be allocated to the respective departments for more accurate financial statement reporting.

Federal Tax Reporting

During our testing over the 941 reconciliation, we noted that Line 2 of the quarterly IRS Form 941's submitted did not agree to the 2020 form W-3 when compared in total. We recommend that management review this difference to ensure that these amounts agree going forward. Per inquiry, this has been updated and should be corrected on the 2021 form W-3.

Leave Balances

Per review of the County's leave policy, accrued balances should be capped annually. However, based on testing performed, it appears that the system is allowing balances to continue to accrue over the cap amount. We recommend that management review the system settings and the policy to ensure that accrued balances are appropriately reflected in the payroll system.

Disbursements Testing

Currently, the County is issuing itself checks and re-depositing same for ACH and EFT transactions when vendors will withdraw funds directly from the account (for example, for VRS and Health Insurance benefits). We recommend that management work with Bright or another locality to determine how to enter these items as electronic transactions to avoid issuing a check to themselves.

Conflict of Interest and Disclosure of Real Estate Holding Forms

During our review of disclosure forms required to be completed and maintained on hand, we noted two County Board Members questionnaire and two Planning Commission members whose conflict of interest and disclosure of real estate holding forms were not completed in their entirety. We recommend that care be taken to ensure that forms are turned in and completed in their entirety. If a section is not applicable, we recommend that it be marked as such to adequately document same.

Cross-Training and Review Processes

During review, we noted that one individual is responsible for accounts payable processing and one person is responsible for accounts payable. While others have access within the system to same and there are review processes once checks have been issued, we recommend that a review process be implemented to ensure that check registers and payroll reports are reviewed prior to being finalized and released. Per inquiry, updated processes are being developed and implemented.

Department of Social Services Recommendations

Business Continuity Plan

During our review of the Business Continuity Plan, we noted that the Plan does not follow VDEM's recommended template. We recommend that the VDEM plan template be referenced to assist with reviewing 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>.

School Board Recommendations

Budget Appropriations

It appears that there is not a budget for the School Board's School CIP Fund which includes activity for the new elementary school that will be funded by the U.S. Army Corps of Engineers. We recommend that a budget be adopted and appropriated to ensure that a control mechanism is in place to ensure expenditures are appropriately approved.

County and School Board Recommendations

Written Policies for Federal Programs

The Uniform Guidance requires that the entity have certain written policies to ensure compliance related to federal programs. We were unable to obtain copies of same during the audit. We recommend that management adopt written policies/procedures as required and provide same for audit purposes.