



ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

Date: April 3, 2026

Memorandum to: Michael Watson, County Administrator
County of Carroll, Virginia

From: Robinson, Farmer, Cox Associates

Regarding: FY 24-25 Audit

In planning and performing our audit of the financial statements of Carroll County for the year ended June 30, 2025, 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, we noted certain matters involving 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.

County:

Journal Entry Documentation:

During our review of journal entries in the Treasurer's Office, we noted that documentation in support of journal entries was not always filed with the Journal Entry report. We recommend that documentation be filed with all journal entries, so upon review the reason behind the journal entry is easy to understand.

Reconciliation of Bank Accounts:

It was noted that the School Board's consulting accountant and the auditors (RFC) recommended adjustments to amounts recorded as cash held in banks in the County (including School Board's) books at year end. It is noted that the County transitioned to new accounting software and encountered challenges in reconciling the books. These reconciliation challenges are common with the implementation of new software as internal processes and electronic processing are impacted by changes in software. Care should be taken to ensure that cash held in banks in the books tie easily to bank reconciliations each month. We recommend that the County and School Board work with the Treasurer's Office to ensure bank reconciliations are accurate.

Budgeted Transfers:

During our review of the budget, we noted that budgeted transfers (budgeted numbers - not actual) in and out of funds did not balance. Care should be taken to ensure budgeted transfers and adjustments to budgeted transfers balance within the budget. Failure to properly budget transfers could result in errors with budgeted (or anticipated) fund balance.

Tax Control Accounts:

The County maintains tax control accounts in Fund 999. These control accounts should agree with delinquent tax listings at any point in time. Entries to these accounts (adjustments, collections, etc..) should mirror actual changes in tax receivable listings. At year end, these control accounts did not agree with tax listings. Going forward, we recommend the County investigate the reasons for these variances and ensure postings in the new accounting software have been properly established.

Conflict of Interest Disclosure Forms:

Our review of statements of economic interest disclosed 11 incomplete forms. 10 out of 11 were EDA or Department of Social Services Forms. We recommend that all forms be fully completed, marking yes or no for each question, and completing tables as applicable.

Department of Social Services (DSS):

Special Welfare Funds:

During our review of Special Welfare funds, we noted that the amount maintained by DSS did not reconcile to the Treasurer's reconciled balance. It is recommended that the DSS balance be adjusted to the reconciled balance and that they reconcile to the Treasurer's balance each month thereafter.

School Board:

Conflict of Interest Disclosure Forms:

Our review of statements of economic interest disclosed 2 of 5 were incomplete. We recommend that all forms be fully completed, marking yes or no for each question, and completing tables as applicable. We also noted that one of the Board Members filed their form(s) after the filing deadline.

Budget:

During our review of budget to actual reports, we noted that the County Budget for the School Board (in the County's accounting system) did not agree with the School Board's budget in the School Board's accounting system. The budgets should agree in both systems, so the County and School Board can track appropriations against expenditures. We also noted that expenditures in the School Fund exceeded appropriations by the Board of Supervisors. Per the Code of Virginia, 1950 as amended section 15.2-2506 states:

“In no event, including school division budgets, shall such preparation, publication, and approval be deemed to be an appropriation. **No money shall be paid out or become available to be paid out for any contemplated expenditure unless and until there has first been made an annual, semiannual, quarterly, or monthly appropriation for such contemplated expenditure by the governing body,** except that funds appropriated in a county having adopted the county executive form of government for multiyear capital projects and outstanding grants may be carried over from year to year without being reappropriated”

In the future, no expenditure should be incurred until there is an appropriation for such expenditure, regardless of how the expenditure is funded (i.e. state, federal or local funding).

Checks issued at year end:

On June 30, 2025, the School Board issued a check to transfer funds from the operating fund to the cafeteria fund for \$319,883. The check was reported as an expense in the operating fund, but not as a revenue in the cafeteria fund or a deposit in transit. Since the funds were just moving from one bank account to another and both sides of the transaction were not reported, cash on deposit was understated by the amount of the check. We recommend that transfers near year end be processed in the new year to avoid underreporting cash balances.