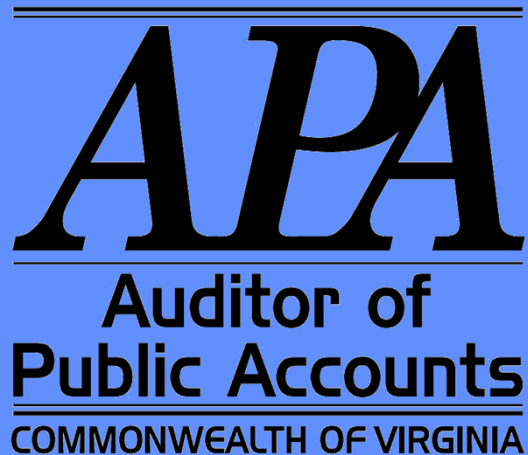


**GOOCHLAND COUNTY
REPORT ON TREASURER'S TURNOVER**

APRIL 25, 2011



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Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

April 30, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
and Review Commission

County Board of Supervisors
County of Goochland

We have examined the accompanying Schedule of the Treasurer's Assets and Liabilities of Brenda Grubbs, Treasurer of the County of Goochland, Virginia, at April 25, 2011. We have also examined the accompanying treasurer's turnover receipt of assets. The schedule and receipts are the responsibility of the County's treasurer. Our responsibility is to determine if the information properly reflects the activity of the County Treasurer's Office.

We conducted our examination to the extent practicability in accordance with the *Specifications for Audits of Counties, Cities, and Towns* issued by our office. Those specifications include examining, on a test basis, evidence supporting the Schedule of Treasurer's Assets and Liabilities and Turnover Receipts of Assets and performing such other procedures, as we considered necessary in the circumstances.

Section 58.1-3136 of the Code of Virginia requires a turnover audit whenever a treasurer leaves office. On February 3, 2011, the Sheriff arrested the outgoing treasurer for embezzlement and the outgoing treasurer resigned effective February 11, 2011. Under the circumstances a complete turnover signed by both the incoming and outgoing Treasurer was not possible. Therefore we prepared the accompanying treasurer's schedule and turnover receipts of reported assets for Pamela C. Johnson, who Chief Circuit Court Judge appointed interim Treasurer effective April 25, 2011.

The lack of internal controls and the actions of the outgoing Treasurer make it unlikely that we have identified all of the errors, reconciling items and other adjustments necessary to accurately determine all of the assets and liabilities that the incoming Treasurer will assume, especially for the county's Operating Account. During the term of the outgoing treasurer there was no effective segregation of duties or effective reconciliation of the bank accounts with the County's accounting system. The complete details of the weaknesses we found are in the section titled *Internal Control Issues*.

The County and School Board will also need to review their processing procedures and other fiscal operations, which may require changes to provide sound, effective and economical internal controls. This report does not address those issues and the County and School Board should consider employing someone to conduct this review.

We also conducted an investigation of activity in the Treasurer's office in order to identify evidence of misappropriated funds by the former Treasurer. We have provided this information to appropriate law enforcement agencies. We will issue any findings we have in a separate report pending the conclusion of the investigation by those law enforcement agencies.

We discussed the issues identified relating to internal control with the incoming Treasurer and provided her an opportunity to respond to those issues. We have included her response in the section entitled Treasurer's Response, but have not audited this response.

AUDITOR OF PUBLIC ACCOUNTS

AWP/clj

INTERNAL CONTROL ISSUES

During the course of our examination, we identified a number of deficiencies in internal control processes existing under the management of the outgoing Treasurer. The following are our recommendations as they relate to internal controls within the Treasurer's Office. We discussed and provided the incoming Treasurer a listing of these Internal Control Issues when she took Office.

Although, we did not perform a comprehensive audit of the controls of the County's operations we did note that the County and School Board could benefit from an overall review of internal controls, procedures for processing of transactions, and qualifications and staffing of the department supporting the fiscal operations. While this report identifies internal control issues that the incoming treasurer will need to address, the timeliness and completeness of information to support these efforts will require both the County and School Board to determine if they are providing accurate and timely information to the Treasurer's Office and that all of the fiscal units are processing transactions in the most economic and efficient manner possible.

Overall Observation

Basic controls and operational processes common to any Treasurer's Office do not exist within this Office. Additionally, while our comments in this report deal primarily with the Treasurer's Office, the County and the School Board should review their use of their financial systems and internal control structures. As the new Treasurer implements controls and processes within the Treasurer's Office there will be opportunities to improve controls, processes and efficiencies elsewhere within the County's and School Board's operations and controls.

We have listed issues which the new Treasurer will need to address, in order of their risk to the operation of the Treasurer's Office and the County.

Review Deputy Treasurers Qualifications, Training and Supervision

Throughout our review we observed that deputy treasurers have very minimal training in the proper use of the accounting system or other processes within the Treasurer's office. Further, some deputies did not have any business or related educational backgrounds before working in the Treasurer's Office. Our review indicates that the former Treasurer provided little training or supervision after the deputies started work. Many of the recommendations that follow directly relate to the lack of training and understanding of proper internal controls for cash receipting that the deputy treasurers have. To properly correct many of the issues in this report, the future Treasurer will need to ensure the staff possesses basic business skills and training.

Improve the Bank Account Reconciliation Process

We reviewed several bank reconciliations prepared by the former Treasurer and her staff and found that they were incomplete, untimely, lacking supporting documentation and did not support the information in the County's accounting system. We could not find any evidence supporting a proper reconciliation of the County's operating account over the past two years.

We have multiple recommendations that relate directly to the bank account reconciliation process. First, the Treasurer should complete all bank reconciliations within one week or sooner of receiving the bank statements. Many of the following recommendations, if implemented, will not only improve the quality of the account reconciliations but will also allow the Treasurer to complete them within an appropriate time frame.

Reconcile Certified Bank Deposits

The Treasurer's office should verify deposits each day with the amounts shown by the bank, in the cash ledger and the accounting system. Each deposit has a bank stamp with an official amount, date and time which should match both the total cash deposit per the ledger as well as the total deposit on the month-end bank statement. Not reconciling these certified deposit slips to the ledger and bank statements creates an opportunity to fraudulently alter deposit slips and misappropriate cash from deposits. If the Deputy Treasurer reconciles certified deposits to the ledger daily, this process will expedite the month-end reconciliation.

Process Returned Checks Immediately

The former Treasurer did not deal with checks returned to the office for insufficient funds but had her staff file these checks in boxes. The majority of insufficient fund checks were for payment of real estate and personal property taxes. For the bank reconciliation the Treasurer should have included these insufficient check amounts in the reconciliation noting the deposits requiring adjustment.

Further, the Treasurer should initiate a transaction to re-establish the tax receivable and any fees charged for checks returned due to insufficient funds. By not properly processing these transactions, the accounts receivable ledger does not accurately reflect the outstanding receivables. Timely processing of these transactions improves the accuracy of determining delinquent billings and financial reporting and makes doing the monthly reconciliation easier.

Maintain a List of Outstanding Checks

The bank reconciliations do not properly account for outstanding checks. Our reconciliation determined the checks that did not clear the bank during the period October 2010 to February 2011. Our work does indicate that there may be outstanding checks from the period prior to October 2010.

The County can export all checks by check number, date and amount from the accounting system to create a listing of checks written for any period. The bank can also provide an electronic listing of all cleared County checks. The Treasurer can use these two lists to easily produce a list of outstanding checks using spreadsheet tools for a given period or on a continuing basis. Tracking all checks will also provide the Treasurer a means to identify and cancel long-outstanding checks.

Reconcile Credit Card Receipts

We found that the former Treasurer accepted between \$1,000 and \$2,000 per day in credit card receipts. The former Treasurer recorded these receipts in the accounting system at the point of collection and processed the transactions using a separate credit card machine which processes payment through a sweep account to the Automated Clearinghouse. At the close of business the accounting system generates a report of credit card receipts along with the cash and check receipts; however, the Treasurer's office does not reconcile those credit card receipts to the credit card sweep account either daily or monthly. Daily settlement reports automatically print from the credit card machine at midnight each night, and the Treasurer filed them away but did not reconcile ledger activity to them.

The Treasurer should obtain daily settlement statements reflecting individual credit card transactions from the credit card system and reconcile each day's activity to the ledger to ensure the

completeness of credit card deposits. The Treasurer's current vendor provides access to detailed automated clearinghouse records through a system called Merchant Connect. No one in the Treasurer's office currently has access to this system. Reconciling credit card receipts daily will limit the amount of research necessary to reconcile pending credit card deposits during the month end reconciliation as well.

Communicate Reconciling Adjustments to Finance

When the Treasurer begins properly reconciling the bank accounts, the reconciliation process will find transactions, either not recorded in the accounting system such as bank charges, or errors in originally recording transactions. These differences will require adjustments to the accounting records, which the Treasurer should communicate to the Finance Department for posting and correction in the accounting system. Some reconciling items will require that the Treasurer process the transaction for items such as returned checks.

In either case, the person preparing the reconciliation should not prepare or post any correcting entries. Both the Treasurer and the Finance Department should develop and follow an accepted process for correcting entries and both parties should know who will make the entry and share all information about the corrections.

Segregate Duties

We found that the former Treasurer and some Deputies have the capability to post journal entries to the accounting system while also having responsibility for preparing deposits and reconciling bank accounts. Sound internal controls require a proper segregation of responsibilities to the extent practicable between individuals who receipt cash, prepare deposits, and reconcile accounts.

Individuals who reconcile bank accounts should not have access to post journal entries to the general ledger nor should they prepare any deposits. The Treasurer may also wish to remit completed bank reconciliations to the Department of Finance for review and posting of any necessary journal entries to the accounting system as a result of the discovery of errors during the reconciliation.

Log Collections Immediately

The Treasurer's office receives payments both over the counter and through the mail. While the accounting system instantly records receipts for over the counter transactions, there are weaknesses in the mail opening process for checks or other payments. The former Treasurer assigns one deputy to primarily open and sort the mail each day; however the former Treasurer at times opened mail prior to the designee. Because of the large amount of money sent to the Treasurer's office through the mail, particularly during personal property and real estate tax periods, it is important that proper controls exist to mitigate the risk of fraud or abuse.

The Treasurer should designate two individuals to open mail, if at no other time than during heavy tax remittance periods such as June and December. Ideally, one person should total the included remittances and the other, the payments. The totals should then be agreed for completeness and remittances should be processed in the accounting system to the applicable accounts, while checks are stored for deposit. Further, the individuals should restrictively endorse the checks immediately and secure them in the safe until their inclusion in the daily deposit.

Restrictively Endorse Checks upon Receipt

The Treasurer's office does not endorse all checks upon receipt. Because a check is a payment demand instrument, leaving the check unendorsed increases the risk that others may fraudulently endorse the check if misplaced or stolen. It is important that the Treasurer restrictively endorse all checks "For Deposit Only".

Secure Electronically Deposited Checks and Implement Retention Policy

The County uses an electronic check scanner to read the MICR encoding and printed values on each check. The check scanner batches all checks together and automatically transmits the batch information to the bank to post a remote deposit. A Deputy Treasurer agrees the total remote deposit to the daily receipts report from the accounting system to ensure accuracy. Once a deputy digitally scans the checks and sends them to the bank, the Deputy bundles the original checks and stores them indefinitely in the file room.

The Treasurer's office should not keep these checks indefinitely, since they contain sensitive bank accounts and other personally identifiable information that creates risk to the County if the Treasurer ever misplaces or loses the checks. The Treasurer should implement a process to maintain these checks in a secure location for the minimum length of time necessary to resolve any issues and then destroy these checks to limit potential liability. State entities using remote deposit generally secure scanned checks for two monthly statement periods before destroying them; however the Treasurer needs to assess the appropriate length of time to hold these checks based on other office processes and considering the sensitive information that may be on the face of the checks.

Limit Access to Cash

The Treasurer's office prepares the total deposits for the day which includes decentralized receipts from the School Cafeterias and occasionally Parks and Recreation. The Schools bring the Cafeteria funds to the Treasurer's office near the close of business on each day the schools are open. The Cafeteria manager brings the deposit bag along with a hand-written form which states the total funds in cash and check. The Treasurer stores this form with the checks after they are electronically scanned. The County should keep transfers of cash from person to person to a minimum.

Accountability is lost when several people handle cash before deposit. If transfers of cash must take place, the Treasurer should document the transfer including a verification of the transfer amount with a receipt. The Treasurer should also use a drop-off/pick-up log when transporting deposits to ensure accountability each time the funds change hands.

Strengthen Cashiers' Accountability

After employees log on to the cash registers, the former Treasurer allowed employees to share cash drawers. Although all employees have individual passwords to activate cash registers and track their activity in the accounting system, the sharing of cash drawers overrides this control.

The Treasurer should not allow employees to share cash drawers without a proper closeout of the drawer. The Treasurer should ensure each cashier is accountable for his or her cash drawer and activity.

Reduce Number of Bank Accounts

At the time of our review, the former Treasurer had more than 30 open bank accounts in the name of the County. While multiple bank accounts are necessary to segregate certain funds, the volume of accounts

maintained by the County creates an unmanageable environment. A number of accounts have zero or low balances and the Treasurer should close these accounts.

One account named Goochland County Savings Account is nothing more than a low-interest checking account yielding no more than the operating account. Should the Treasurer wish to continue managing idle funds separately from the operating account, they should consider a higher yielding account such as the Commonwealth's Local Government Investment Pool.

Do Not Allow Vendors to Automatically Draft Funds from County Accounts

We found the former Treasurer authorized some vendors to automatically withdraw funds from County Accounts for payments due to them. In many cases, these vendors withdrew more funds than the actual amounts due them resulting in a refund to the County. The Treasurer's office should immediately discontinue this process. Allowing vendors to withdraw from bank accounts at their own will creates unnecessary risk for fraud and abuse and does not provide any process to control those payments.

The Treasurer should use the standard purchasing and payment procedures set by the County Board of Supervisors to include normal accounts payable or purchase card payments. These processes would provide adequate controls over purchases made by the Treasurer's office.

Limit the Use of Treasurer's Checks

The Treasurer should limit the use of Treasurer's checks to minimize risk to the County. Most Treasurers restrict the use of Treasurer's checks to the transfer of funds or investing excess cash.

The Treasurer's check stock does not fall under the same set of controls that apply to accounts payable, payroll, Community Service Board, School Board, and Social Services checks. We found the former Treasurer used Treasurer's checks for multiple purposes including the payment of office supplies and other operating expenses. We also found that the former Treasurer did not record several Treasurers' checks in the accounting system.

The Treasurer should limit the use of Treasurer's checks to only emergency situations or when there is no other way to transfer funds. The following recommendations relate directly to the use of Treasurer's checks and improving accountability and control over these payment instruments.

Split Receipts to Appropriate Accounts

We found many occurrences where citizens paid for utilities and personal property or real estate taxes with the same method of payment because utility billings are generated in a separate system from the accounting system. The former Treasurer would record the total payment as either personal property or real estate taxes due. This creates a tax overpayment in the accounting system, the former Treasurer would then write a check for the over-payment to "Goochland County, RE: the taxpayer name" and record the receipt in the Utilities billing system and deposit that check with the total deposit for the day.

The Treasurer should cease this practice immediately and record the allocation of the amount paid between the taxes due and the utility bill. At the close of business, the Treasurer should close the utilities system and book the total revenue in the accounting system as they normally would. At that point while there will be no single payment instruments that match the utilities receipts, the total deposit for the day should be accurate since utility and tax receipts go into the same bank account.

Batch Taxpayer Refunds

The former Treasurer paid refunds to taxpayers as her staff identified the overpayment. Instead, the Treasurer should implement a batch process to run all refund checks due to tax overpayments on a weekly basis or incorporate those refund checks with the normal accounts payable process.

Electronically Transfer Funds to State Treasurer

The vast majority of Treasurer's checks are paid the Treasurer of Virginia for remittance of taxes collected by the County on behalf of the State. Due to the quantity of these transactions and the amount of the checks, the Treasurer should implement an electronic funds transfer system for these state payments. Electronic funds transfers are more secure than physical checks and are generally faster and cheaper methods of payment.

Follow Purchasing Policy

The County provides for two primary methods to purchase goods and services and pay vendors. County personnel pay vendors immediately using a County purchase card or they have a check prepared as part of the daily batch process through the accounts payable system. We found that the former Treasurer paid certain vendors using Treasurer's checks for various supplies and services over the past year, without recording some of those transactions in the accounting system.

This method of paying vendors is inefficient and creates risk in the purchasing process. Circumventing normal payment processes creates an inherent weakness in the County's purchasing and budgetary controls, as evidenced when we found checks not recorded in the accounting system. The Treasurer's office, just as any other County Department, should follow County purchasing policy when purchasing supplies or services for their office.

Limit the Use of Spreadsheets as Official Account Records

The former Treasurer prepared spreadsheets to provide the School Board and other departments a financial summary rather than information from the county's accounting system. Because of the numerous problems cited in this report, we question whether either the accounting system or spreadsheets represent reliable financial information.

It is essential that the Treasurer and the finance department recognize that the county's accounting records should represent the official record of financial transactions. In order to achieve this objective both parties need to do complete, accurate, and timely posting of all transactions and reconciliations.

While departments may wish to track their activity in spreadsheets, they should be able to rely on the accuracy of the accounting system with respect to day-to-day activity and balances. As an example, the School Board produces monthly reports from their point of sale system and tracks daily deposits remitted to the Treasurer, however the only information the former Treasurer provided them to reconcile these accounts is a manually created spreadsheet, which we found does not always accurately reflect account balances. The School Board should be able to reconcile their daily activity directly to the accounting system and ensure the posting of all deposits and disbursements to their fund. The Treasurer should use spreadsheets to only provide special analysis which is not part of the accounting system.

SCHEDULES OF ACCOUNTABILITY

COUNTY OF GOOCHLAND, VIRGINIA
SCHEDULE OF THE TREASURER'S ASSETS AND LIABILITIES
At April 25, 2011

Assets held by the Treasurer	
Cash and cash equivalents	\$14,300,772
Investments	
US Bank Virginia Resources Authority	6,001,375
Government Money Market SNAP	264,445
Virginia Local Government Investment Pool	<u>9,204,154</u>
Total assets	<u>\$29,770,746</u>
Liabilities of the Treasurer:	
Balance of County funds	\$29,411,969
Miscellaneous Treasurer's funds	<u>358,777</u>
Total liabilities	<u>\$29,770,746</u>

The accompanying notes are an integral part of this schedule.

COUNTY OF GOOCHLAND, VIRGINIA
NOTES TO TREASURER'S SCHEDULES
APRIL 25, 2011

1. SCHEDULE PRESENTATION

A. Schedule of the Treasurer's Assets and Liabilities

The Schedule of the Treasurer's Assets and Liabilities represents a summary of cash, other assets, and liability balances held by the treasurer at the turnover date.

B. Turnover Receipts of Assets

The Turnover Receipts of Assets directly following these notes represent the detailed accounting of assets turned over to the incoming treasurer.

2. DISCHARGE FROM LIABILITY

In accordance with section 58.1-3145 of the Code of Virginia, the outgoing treasurer is required to file certificates with the circuit court showing the final settlement of his account as treasurer to secure final discharge from liability.

3. CASH AND CASH EQUIVALENTS AND BALANCE OF COUNTY FUNDS

There are accounts that represent assets of the County that are not under the control of the Treasurer. Those amounts are included in Cash and Cash Equivalents and in the Balance of County Funds in the Schedule of the Treasurer's Assets and Liabilities. However, they are not included in the Turnover Receipt of Cash on Deposit included within the turnover schedules directly following these notes. Further the Turnover Receipt of Cash on Deposit is as of April 30, 2011 whereas this schedule is as of April 25, 2011.

TURNOVER RECEIPTS OF ASSETS

COUNTY OF GOOCHLAND, VIRGINIA
TURNOVER RECEIPT OF CASH AND CASH ITEMS ON HAND
TO INCOMING TREASURER
At April 25, 2011

Received by Pamela C. Johnson, Incoming Treasurer of the County of Goochland, Virginia, the item or items as hereinafter described and/or listed at the close of business April 25, 2011.

4/25/11 collections	
Cash	\$ 2,068.56
Checks	12,839.29
Change Fund	980.00
Additional change due to overages	<u>59.35</u>
Total	<u>\$15,947.20</u>

COUNTY OF GOOCHLAND, VIRGINIA
TURNOVER RECEIPT OF RETURNED CHECKS ON HAND
TO INCOMING TREASURER
At April 25, 2011

Received by Pamela C. Johnson, Incoming Treasurer of the County of Goochland, Virginia, the item or items as hereinafter described and/or listed at the close of business April 25, 2011.

Returned Checks on Hand:

<u>Year</u>	<u>Check Count</u>	<u>Amount</u>
1997	1	\$ 21.60
1998	1	3.50
1999	2	113.22
2000	1	196.85
2001	1	200.00
2002	7	74.00
2003	5	394.50
2004	9	777.62
2005	5	442.72
2006	15	816.50
2007	7	849.68
2008	13	1,049.82
2009	84	5,648.42
2010	25	1,055.38
2011	16	1,365.27
Total	192	\$13,009.08

COUNTY OF GOOCHLAND, VIRGINIA
 TURNOVER RECEIPT OF CASH ON DEPOSIT
 TO INCOMING TREASURER
 At April 30, 2011¹

Received by Pamela C. Johnson, Incoming Treasurer of the County of Goochland, Virginia, the item or items as hereinafter described and/or listed at the close of business April 30, 2011.

Balances on deposit in banks at close of business April 30, 2011 are as follows:

Account Name	Ledger Balance	Outstanding Checks	Outstanding Deposits	Outstanding Transfers	Other Reconciling Items	Un-Reconciled Differences	Bank Balance
Operating Account	\$4,534,849	\$1,151,442	\$(38,812)	\$1,954	\$125,210	\$(37,129)	\$5,737,514
Tuckahoe Creek Service District	3,169,442	-	-	-	-	(21,430)	3,148,012
INO Tuckahoe Creek Utilities	1,081,488	-	-	-	-	(1,820)	1,079,668
Land Acquisition	678,878	-	-	-	-	(1)	678,877
INO	666,673	-	-	-	-	(156,597)	510,076
Cash Proffers	494,586	-	-	-	-	441	495,027
Goochland Powhatan Community Service Board	440,547	-	-	-	-	(106)	440,441
School Cafeteria	244,649	-	-	-	-	(13,286)	231,363
Drug Enforcement Fund	123,516	-	-	-	-	-	123,516
James River Sanitary District	41,873	-	-	-	-	(14)	41,859
Economic Development Fund	24,711	-	-	-	-	-	24,711
Drug Enforcement II State Revenue	3,246	-	-	-	-	-	3,246
Asset Forfeiture – Commonwealth Attorney	3,083	-	-	-	-	-	3,083
Sheriff's Office Petty Cash	2,500	-	-	-	-	-	2,500
Department of Social Services	1,644	-	-	-	-	-	1,644
Petty Cash Fund - CSA	1,000	-	-	-	-	-	1,000
Hunting and Fishing License Clearing Acct	484	-	-	-	-	(3)	481
Water Sewer Capital Reserve Fund	30	-	-	-	-	(30)	-
Road Fund	1	-	-	-	-	(1)	-
Department of Social Services	1	-	-	-	-	-	1
	\$11,513,201	\$1,151,442	\$(38,812)	\$1,954	\$ 125,210	\$(229,976)	\$12,523,019

¹ The cash on deposit amounts are as of April 30, 2011 rather than April 25, 2011 in order to ensure the accuracy of bank balances by obtaining them directly from April 2011 bank statements.

COUNTY OF GOOCHLAND, VIRGINIA
TURNOVER RECEIPT OF CASH EQUIVALENTS AND INVESTMENTS
TO INCOMING TREASURER

At April 25, 2011

Received by Pamela C. Johnson, Incoming Treasurer of the County of Goochland, Virginia, the item or items as hereinafter described and/or listed at the close of business April 25, 2011.

	<u>Amount</u>
Investments	
US Bank	15,205,528
Wells Fargo	<u>264,445</u>
Total	<u>\$15,469,973</u>

COUNTY OF GOOCHLAND, VIRGINIA
TURNOVER RECEIPT OF UNCOLLECTED REAL ESTATE TAXES
TO INCOMING TREASURER
At April 25, 2011

Received by Pamela C. Johnson, Incoming Treasurer of the County of Goochland, Virginia, the item or items as hereinafter described and/or listed at the close of business April 25, 2011.

Year	Base Tax
2010	\$ 717,901
2009	346,791
2008	156,977
2007 and earlier	492,271
Total	<u>\$1,713,940</u>

COUNTY OF GOOCHLAND, VIRGINIA
TURNOVER RECEIPT OF UNCOLLECTED PERSONAL PROPERTY TAXES
TO INCOMING TREASURER
At April 25, 2011

Received by Pamela C. Johnson, Incoming Treasurer of the County of Goochland, Virginia, the item or items as hereinafter described and/or listed at the close of business April 25, 2011.

Year	Base Tax
2010	\$ 626,568
2009	220,398
2008	160,760
2007 and earlier	348,128
Total	<u>\$1,355,854</u>

COUNTY OF GOOCHLAND, VIRGINIA
TURNOVER RECEIPT OF UNCOLLECTED PUBLIC UTILITIES
TO INCOMING TREASURER
At April 25, 2011

Received by Pamela C. Johnson, Incoming Treasurer of the County of Goochland, Virginia, the item or items as hereinafter described and/or listed at the close of business April 25, 2011.

Uncollected Public Utilities	\$331,675
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COUNTY OF GOOCHLAND, VIRGINIA
TURNOVER RECEIPT OF UNCOLLECTED STATE TAXES
TO INCOMING TREASURER
At April 25, 2011

Received by Pamela C. Johnson, Incoming Treasurer of the County of Goochland, Virginia, the item or items as hereinafter described and/or listed at the close of business April 25, 2011.

<u>Year</u>	<u>Base Tax</u>
2010 State Income Taxes	\$223.00

COUNTY OF GOOCHLAND, VIRGINIA
TURNOVER RECEIPT OF UNREMITTED COMMONWEALTH COLLECTIONS
TO INCOMING TREASURER
At April 25, 2011

Received by Pamela C. Johnson, Incoming Treasurer of the County of Goochland, Virginia, the item or items as hereinafter described and/or listed at the close of business April 25, 2011.

<u>Commonwealth Current Credit Account</u>	<u>Balance</u>
Estimated State Income Taxes	\$2,570.00
Share of fees of Sheriff and Deputies	<u>.10</u>
Total	<u>2,570.10</u>

COUNTY OF GOOCHLAND, VIRGINIA
TURNOVER RECEIPT OF UNSOLD DOG LICENSE TAGS
TO INCOMING TREASURER
At April 25, 2011

Received by Pamela C. Johnson, Incoming Treasurer of the County of Goochland, Virginia, the item or items as hereinafter described and/or listed at the close of business April 25, 2011.

<u>Class of Tag</u>	<u>Tag Numbers</u>		<u>Quantity on Hand</u>
	<u>Beginning Number</u>	<u>Ending Number</u>	
Unsexed	3023	6000	2,978
20 Dog Kennel	205	300	96
50 Dog Kennel	18	50	33

COUNTY OF GOOCHLAND, VIRGINIA
TURNOVER RECEIPT OF UNUSED MANUAL RECEIPT BOOKS
TO INCOMING TREASURER
At April 25, 2011

Received by Pamela C. Johnson, Incoming Treasurer of the County of Goochland, Virginia, the item or items as hereinafter described and/or listed at the close of business April 25, 2011.

<u>Class of Receipt</u>	<u>Receipt Numbers</u>		<u>Quantity on Hand</u>
	<u>Beginning Number</u>	<u>Ending Number</u>	
General	094438	094600	163



Office of the Treasurer
County of Goochland
P.O. Box 188
Goochland, Virginia 23063

Pamela C. Johnson
Interim Treasurer

Telephone:
(804)556-5806
Fax: (804)556-2105

June 22, 2011

Auditor of Public Accounts
ATTN: Andrew W. Powell
Audit Director
P.O. Box 1295
Richmond, Virginia 23218

RE: Turn-Over Audit, Treasurer's Office of Goochland County

Dear Mr. Powell:

Thank you for the opportunity to outline for your office progress this office has made in addressing the control issues and other findings identified under the previous Treasurer. I am fully aware that this is an unusual situation and appreciate very much being able to advise both the Auditor of Public Accounts and the public in general the steps we have taken to correct many of the most serious issues found both by your office and in the audits conducted by the county's external auditor, KPMG, and outlined in the last two Comprehensive Annual Financial Reports (CAFR) for the fiscal years ending on June 30, 2009 and June 30, 2010.

The preliminary draft of your findings and the CAFRs were made available to me prior to my being sworn in and assuming the responsibilities for the Treasurer's Office. I addressed many of these issues in my initial meeting with the Deputy Treasurers on my first full day in office.

Listed below are the changes implemented so far to address and correct recent audit findings:

Review Deputy Treasurers Qualification, Training and Supervision

- The lack of training and basic office skills has been addressed with the Deputy Treasurers.
 - Two had never been to any Treasurers Association of Virginia (TAV) Training classes. These two and I attended the Customer Service Class on May 4 and 5. In addition, a Deputy and I attended the TAV class on Delinquent Collections on May 19 and 20.
 - The Deputy Treasurers have never had formal training on the computerized accounting system (Bright AS400). I have scheduled the Vice President for Training from the Bright Company to provide formal training for all Deputy Treasurers and myself on June 27-29.

- I have requested in-house training for the most frequently used computer programs for all Deputy Treasurers
- Deputy Treasurers have been instructed that they will complete the TAV on-line course, Introduction to Governmental Accounting, through Radford University by the end of August, 2011. They are expected to successfully complete this course of instruction.
- The Treasurer from Powhatan County has conducted training for the Deputy Treasurers to help them make better use of the AS400 system.
- I have conducted personal training on record keeping, protocol, and other areas needing attention. In addition, frequent staff meetings to address various issues have been held.

Improve the Bank Account Reconciliation Process

- In an effort to improve the Bank Account Reconciliation Process, I have advised the Deputy previously charged with this responsibility that this duty will be re-assigned. I will do the reconciliation myself beginning with the June statements. Over the past several months, various components of the County Finance Department have assisted in the bank reconciliations and these are current.
- I have met with two other County Treasurers to learn what their procedures are for completing the reconciliation in a timely manner. These procedures are being implemented by this office to effect reconciliations within the one week or sooner recommendation by the Auditors.

Reconcile Certified Bank Deposits

- Training scheduled in the AS400 will assist the Treasurer in verifying daily deposits in the cash ledger and the accounting system.
- The Treasurer has received training and access to the on-line banking system through the County's primary banking establishment.

Process Returned Checks Immediately

- All checks which had been held have been worked on and cleared. Deputy Treasurers now take immediate action for collection of insufficient funds. They understand that the payments must be removed from the accounting system until the monies have been paid successfully. The Deputy Treasurers also understand that these transactions must be accurately reflected as outstanding receivables.

Maintain a List of Outstanding Checks

- After consultation with another County Treasurer, I learned that no list of outstanding checks was being maintained. I have since created a document listing all outstanding checks as well as all checks issued by accessing the accounting system. If the statement indicates that a check has cleared, then it is removed from the list and a final list will be printed each month to accompany the bank statement and other reconciliation documents.

Reconcile Credit Card Receipts

- The Treasurer's Office is no longer processing credit card payments. The new tax bills were changed to indicate that credit card payments must be done through a credit card clearing house used by many Treasurer's. The company emails the Treasurer each day with an accounting and a Deputy Treasurer enters the payment into the accounting system the same day the notice is received.

Segregate Duties

- Neither the Interim Treasurer nor the Deputy Treasurers have access to post journal entries to the general ledger. The Finance Department performs the posting to the general ledger. It should be noted that the Deputy Treasurers did not perform this function under the previous Treasurer. None of the Deputies still in the office had access to post to the general ledger.

Log Collections Immediately/Restrictively Endorse Checks upon Receipt

- On day one of taking office, the Interim Treasurer designated two teams of two for taking deposits to the bank and for picking up and opening mail. The two Deputy Treasures open the mail together, sort it, immediately restrictively endorse all checks, and secure all receipts until they are worked by all cashiers. These teams perform taking the bank deposit to the bank and picking up the mail for one week. The next week the other team performs these duties.
- All checks are restrictively endorsed upon receipt.
- The Interim Treasurer has met with officials from the County's primary banking institution to explore other products available to avoid Deputies having to travel to the bank each day to make deposits. These include weighing the cost of using an Armored Security Company versus an on-site device used for the collection of cash. A decision as to which vehicle will be used by this office will be made in early July.

Secure Electronically Deposited Checks and Implement Retention Policy

- The use of the electronic check scanner was suspended. The Interim Treasurer has met with officials from the County's primary banking institution to restore this service. The Deputy Treasurers have been instructed that these checks will be held in the vault only through two statement periods. These checks will be destroyed once two statement periods have transpired. In addition, those bundles of checks previously held are part of a secure document destruction the Interim Treasurer has arranged for the end of FY-11.

Limit Access to Cash

- The Interim Treasurer has established a procedure which will start at the beginning of FY-12 which includes the use of a log book for signing in and designating the receipt of deposits for other County Departments. All Departments have been advised that both the depositor and the recipient (Deputy Treasurer) must sign the log book for all collections. In addition to completing the log book entry, controls have been established for keeping

the transfer from one Deputy Treasurer to another to a minimum. The Deputy Treasurer who receipts the log book will perform the cash register collection.

- In addition to the collections log book, the Interim Treasurer has established a visitor log book for everyone who must enter the back area of the Treasurer's Office to sign in and sign out. There are no exceptions to this procedure.

Strengthen Cashier's Accountability

- Security Training by the Interim Treasurer was conducted the first day in office. Deputies no longer share cash drawers and other measures to keep cash register receipts separate are being implemented through banking products available. Deputy Treasurers also have been instructed that they may not use another Deputy's password.
- The Interim Treasurer has arranged for each Deputy Treasurer to have a password to scan her own checks from her cash drawer into the check scanner. Previously only two deputies had access and were scanning all checks. Having Deputies scan the checks collected to their individual cash drawers will also strengthen accountability.

Reduce Number of Bank Accounts

- The Interim Treasurer has closed three accounts and transferred the balance of another via cashier's check to the Treasurer of the Economic Development Authority.
- Accounts with zero or low balances have been closed and others are scheduled to be closed prior to the end of FY-11.

Do Not Allow Vendors to Automatically Draft Funds from County Accounts

- This is no longer being done. None of this has occurred since the Interim Treasurer took office.

Limit the Use of Treasurer's Checks

- Treasurer's Checks are being limited to the transfer of funds, most particularly funds collected on behalf of the State Treasurer. Treasurer's checks are being entered into the accounting system by the Interim Treasurer and then posted to the general ledger by the Finance Department.

Split Receipts to Appropriate Accounts

- Treasurer's Office personnel have asked that the Utilities Department add a statement to the utility bills asking customers not to combine utility payments with other types of payments to the county (real estate and personal property taxes). As the Utility Department uses a separate accounting system, we are looking at how the accounting system can receipt the payments from one check in such a way as to avoid issuing a check to deposit the utility payment. We are addressing this issue but have yet to find a workable solution.

Batch Taxpayer Refunds

- Training on batching taxpayer refunds has occurred and this procedure will be implemented pending the completion of the AS400 training.

Electronically Transfer Funds to State Treasurer

- The Interim Treasurer has requested and received information on electronic transfer of funds to the State Treasurer. This procedure will likely be implemented shortly after the beginning of FY-12 if feasible.

Follow Purchasing Policy

- The Interim Treasurer has received training from the County Purchasing Officer and utilizes the standard purchasing and payment procedures set by the County Board of Supervisors. The Treasurer's Office has not issued checks for direct payment to vendors. Invoices are submitted to Accounts Payable as per the County policy.

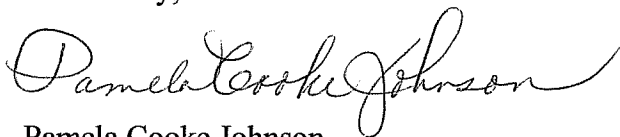
Limit the Use of Spreadsheets as Official Account Records

- The Interim Treasurer continues to consult with other Treasurer's on the best practices for Official Account Records and will implement a more professional procedure over the course of the next few months.

Other areas having to do with records retention and destruction, records organization, and employee support and evaluation have also been addressed and are on-going. It should be noted that the Deputy Treasurers have not been implicated in any illegal activity and that they should be commended for keeping the office operating prior to my appointment. In addition, they have enthusiastically embraced the changes I have made and are anxious to participate in any and all training made available to them in order to increase their value as employees to the Goochland County Treasurer's Office.

Thank you again for allowing me the opportunity to supplement the Turn-Over Audit report with information about how the findings from your office have been addressed and corrected to date. As we go forward, we will no doubt implement other policies and procedures which we hope will result in clean future audits and a better working relationship between the Treasurer's Office and Goochland County government.

Yours truly,

A handwritten signature in cursive script that reads "Pamela Cooke Johnson". The signature is written in dark ink and is positioned above the printed name.

Pamela Cooke Johnson