

At the FIRST Regular Meeting of the Accomack County Audit Committee, held on the 8<sup>th</sup> day of September, 2022, in the school board conference room at the County Administration Building, Room 201 located at 23296 Courthouse Avenue, Accomac, VA 23301 at 5:00 p.m.

## **Agenda Item 1 - Opening of Meeting/Welcome and Introductions**

### **MEMBERS PRESENT AND ABSENT**

#### **Audit Committee Members Present:**

C. Reneta Major  
Dr. Ronnie Holden  
Stephen Belote, CPA

#### **Audit Committee Members Absent:**

None

#### **Others Physically Present:**

Michael T. Mason, CPA, County Administrator  
Chris Holland, Accomack County Public Schools (ACPS) Superintendent  
Margaret Lindsey, CPA, Accomack County Director of Finance  
Beth Onley, CPA, ACPS Finance Director

#### **Others Virtually Present:**

Katie Babb, CPA, Manager, Brown Edwards & Company  
Danielle Nikolaisen, CPA, Partner, Brown Edwards & Company

Since it was the first meeting of the Accomack County Audit Committee and a quorum was present, Mr. Mason called the meeting to order at 5:00 p.m.

Mr. Mason thanked the Committee members for the willingness to serve and asked each member to introduce themselves. Mr. Mason asked other staff members to introduce themselves as well.

Mr. Mason pointed out that the establishment of the Audit Committee was recommended by County management, endorsed by the Accomack County School Board and established by action of the Accomack County Board of Supervisors. He then reviewed the handouts that each member of the committee was provided which included:

- Resolution creating Audit Committee
- FY21 County Annual Comprehensive Financial Report (ACFR)
- Brown Edwards & Company FY21 Report to the Board of Supervisors (aka Management Letter)
- Corrective Action Committee Worksheet
- Sheriff Findings

## **Agenda Item 2 - Review resolution establishing the committee including FOIA requirements**

Mr. Mason reviewed Sections 1-4 of the resolution establishing the Audit Committee highlighting the following points:

- The Committee serves in an advisory capacity;

- The Committee shall provide independent review and oversight of County's and School Board's financial reporting process and shall review external auditor's report and follow up on management's corrective actions;
- All Committee appointments are made by Board of Supervisors;
- Composition of the Committee consists of one Member of Board of Supervisors, one member of the Accomack County School Board and one citizen member considered a subject matter expert;
- All Committee members have three year terms with initial terms staggered
- The Committee is to elect a Chairman by majority who is responsible for the committee agenda and presiding over meetings;
- Committee meetings are to be held on a monthly basis but may be cancelled or changed for good cause;
- The Audit Committee constitutes a public body under the Virginia FOIA and, as such, all meetings must be properly advertised, open to the public and minutes taken;
- All Committee records subject to public inspection including email/text correspondence between members concerning committee business; and
- Robert's Rules of Order to be used for parliamentary procedure.
- The Audit Committee specific duties are to provide a forum in which auditors can candidly discuss concerns relating to the County's external audit, to review all audit findings in the annual audit report, consult with auditors regarding findings, and meet with management to discuss findings, to make recommendations to the Board of Supervisors and School Board regarding corrective actions needed to address irregularities and deficiencies (particularly if management has failed to do so), to ensure corrective actions are taken in a timely manner in order to remedy identified weaknesses/deficiencies, to consider the effectiveness of the internal control system, to establish a process by which individuals may report suspected illegal, improper, wasteful or fraudulent activity and to provide reports or conduct investigations requested by the Board of Supervisors.

**Agenda Item 3- Review FY 21 Annual Comprehensive Financial Report (ACFR) and what entity is included in it (component units) and "Who" has authority and responsibility over what portions**

Mr. Mason stated that the County is required by Virginia Code to have an annual audit conducted by an independent CPA.

Mr. Mason noted that Brown Edwards & Company audited the County for FY21 and issued an unmodified opinion. Brown Edwards identified seven material weaknesses and four significant deficiencies in their audit of the financial statements and major federal programs.

Mr. Mason commented that the FY21 ACFR was approximately 6 months past the statutory deadline of 12/15.

Mr. Mason reviewed a table of the discretely presented component units included within the financial reporting entity of the ACFR and pointed out that he, as County Administrator, does not direct control over several of the entities particularly the Accomack County School Board, Sheriff,

Treasurer and Department of Social Services which is one reason he endorsed the creation of an Audit Committee to serve in an oversight capacity.

**Agenda Item 4 - Receive status update from Brown Edwards, external auditors, on FY 22 audit work currently ongoing; brief mention of the Organizer software and its tracking of items completed and to be completed.**

Mr. Mason introduced the two representatives of Brown Edwards participating virtually and asked them to provide a status update on the FY22 audit. Ms. Nikolaisen reviewed where they were in the audit process, what had been done to-date and the timing of future significant audit work. She stated that there are multiple deliverables. She informed the Committee that VRS APA testing was almost complete and that Brown Edwards would be on site 9/12-9/16 for interim work. She indicated walkthroughs would be conducted during this timeframe. Other key dates mentioned:

09/30/22 - Schools VRS resting results submission deadline.

10/17/22 – Final audit work commences. All schedules and footnotes to be ready for audit.

10/31/22 - County VRS testing results submission deadline.

Mrs. Babb discussed the organizer software utilized on this engagement and how it allows all parties to track the progress of the audit.

Mr. Mason asked whether the audit was on target. Ms. Nikolaisen responded it was fairly well on target as of this date.

Mr. Belote asked that the Committee be immediately notified of any obstacles encountered by Brown Edwards & Company in the performance of the audit as opposed to waiting until the next Audit Committee Meeting. The Committee agreed and it was decided a distribution list consisting of the Committee Members and key staff be created and used to distribute any concerns communicated by Brown Edwards in a timely manner.

**Agenda Item 5 - Review formation of corrective action workgroup and receive status of remedies for Material Weaknesses and Significant Deficiencies as well as management letter comments for improvement prepared as a function of FY 21 audit.**

Mr. Mason stated that a Correction Action Committee (CAC) had been formed and is initially focused on remedying the material weaknesses and significant deficiencies listed in the ACFR. The CAC consists of representatives from ACPS, County including the Treasurer, and the Department of Social Services. He referenced the Corrective Action Worksheet that was passed out and noted this was the tool the CAC was using to track their progress. He explained that since this was the Committee's first meeting and in consideration of each member's time, he would not review the worksheet in detail instead allowing the Committee time to digest it for discussion during a future Committee meeting.

Dr. Holden inquired if the current financial system was contributing to some of the corrective actions. Mr. Mason stated the financial software used by both the County and Schools was obsolete. He noted that a joint County and ACPS RFP had been recently issued to replace it with ERP

software. He further commented how much effort had gone into preparing for the RFP's issuance and that much work will be needed in the future to implement whatever ERP product is chosen. Mrs. Lindsey commented that go-live is not expected until 2024 or possibly even 2025.

Dr. Holden asked about the number of accountants the County employs. A discussion ensued regarding how many accountants the County has as opposed to ACPS.

Mr. Mason commented on the repercussions of issuing an ACFR late which included delays in receiving grant funds. Mrs. Lindsey added that the County cannot utilize VRA as a debt conduit without a current audit.

### **Agenda Item 6 - Discuss future report out structure to Board of Supervisors and School Board**

Mr. Mason suggested, and the Audit Committee agreed, the following communication topics be the focus of the Committee's reports to the Board of Supervisors and School Board:

- i) FY22 Audit Status;
- ii) Remediation of FY21 Audit Findings/Corrective Actions; and
- iii) Illegal, improper, wasteful or fraudulent activity reporting mechanism

Mr. Mason revealed that County already had a mechanism to report illegal, improper, wasteful and fraudulent activity on its website but ACPS did not.

### **Agenda Item 7 - Elect Chairperson to preside over future meetings**

On a motion by Dr. Holden and a second by Ms. Major, the committee unanimously voted to elect Mr. Belote chair of the Audit Committee.

### **Agenda Item 8 - Set recurring meeting schedule and any follow up matters for next meeting.**

The Committee agreed to set the 2<sup>nd</sup> Thursday of the month as the regular monthly meeting date of the Audit Committee. All meetings to start at 5pm.

### **Agenda Item 9 - Other business to come before the Committee**

No other business discussed.

### **Agenda Item 10 - Adjournment**

On a motion made by Dr. Holden and seconded by Ms. Major, the Accomack Audit Committee unanimously voted to adjourn at 6:02 p.m.