

At the Regular Meeting of the Accomack County Audit Committee, held on the 13<sup>th</sup> day of October, 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 Section 1 - Opening of Meeting**

#### **MEMBERS PRESENT AND ABSENT**

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

Steven Belote, CPA, Chairman

Dr. Ronnie Holden

C. Reneta Major

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

None

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

Chris Holland, Accomack County Public Schools (ACPS) Superintendent

Margaret Lindsey, CPA, Accomack County Director of Finance

James Lilliston, County Treasurer

Michael T. Mason, CPA, County Administrator

Beth Onley, CPA, ACPS Finance Director

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

Katie Babb, CPA, Manager, Brown Edwards & Company

Danielle Nikolaisen, CPA, Partner, Brown Edwards & Company

Since a quorum was present, Mr. Belote called the meeting to order at 5:00 p.m.

### **Agenda Section 2 - Meeting Minutes**

#### **Item 2.1 Consider Minutes from September 8, 2022 Meeting**

Dr. Holden made a motion to approve the minutes from the Committee's September 8, 2022, inaugural meeting. Ms. Major seconded the motion. The meeting minutes were unanimously approved.

#### **Item 2.2 Posting Audit Committee Minutes on County Website**

Mr. Mason pointed out that the County Website has a dedicated webpage where minutes and other relevant information about the Committee are posted for public view. He referenced the URL on the Committee's printed agenda as the location.

### **Agenda Section 3 – New Business**

#### **Item 3.1 Receive status update from Brown Edwards, external auditors, on FY 22 audit work completed and currently ongoing**

An update was provided by Katie Babb of Brown Edwards on the status of the FY22 audit. Ms. Babb stated that the VRS examination report had been completed. She also noted that Brown Edwards had been on site in September to work on interim items and had completed most of the interim work and walkthroughs. Single Audit testing has been initiated and procedures required by the APA had been performed including testing at the Sheriff's Office which was largely finished. She noted that Brown Edwards would be on-site again for the week beginning October 31<sup>st</sup> to complete the final fieldwork.

Mr. Belote asked Brown Edwards if they feel they are still on schedule. Ms. Nikolaisen stated the deadline was still “doable” but noted it is an aggressive deadline and that final fieldwork had been pushed back a week from what was originally planned.

Both Brown Edwards representatives left the meeting once their report was concluded.

### **Item 3.2. Receive Report from County and School Board Finance Directors Regarding the Status of Requested Information from Brown Edwards for the FY22 Audit.**

Mrs. Lindsey provided a handout derived from the “Engagement Organizer” indicating 56 items pending. A discussion ensued regarding how this application works. Mrs. Lindsey informed the committee that largely what remains as open items don’t impact the core statements in the ACFR.

Mr. Belote asked if the County was close to making final adjustments. Mrs. Lindsey responded yes and indicated that entries for the landfill and final depreciation still needed to be recorded. She then informed the Committee of the status of receiving financial reports from the County’s component units which are embedded in the County’s financial report. She indicated four of the six have been received.

Ms. Onley advised she had one entry to make regarding retainage payable which would be recorded tomorrow. She also indicated that the Schools still had some items to complete regarding their accrued payroll and receivables. Ms. Onley stated that Brown Edwards had requested an inventory of food service items which was a new request and that the schools did not keep such an inventory. She indicated she would follow up with Brown Edwards on this issue.

Dr. Holden asked if this inventory was material. Mrs. Lindsey indicated it was. A discussion ensued about food service inventory in general.

Mr. Belote asked how much off-site work was performed by Brown Edwards. Ms. Lindsey indicated that Brown Edwards would be working on this engagement off-site the entire week of October 24<sup>th</sup>.

### **Agenda Section 4 – Old Business**

#### **Item 4.1 Receive status report on corrective actions taken to resolve FY21 Material Weaknesses and Significant Deficiencies as well as management letter**

Mr. Belote asked if the Corrective Action Committee had met recently. Mr. Mason advised the Committee met last Thursday.

Mr. Belote asked if the Audit Committee would be receiving an updated Correction Action Worksheet. Mr. Mason indicated they would and apologized for not having an updated version ready for this meeting.

Mr. Belote and Dr. Holden both requested what progress had been accomplished on remediating the list of outstanding corrective actions. Mr. Mason stated that the Corrective Action Committee has been focused solely on rectifying the material weaknesses and significant deficiencies identified and would be addressing general management comments at a later date. He indicated that most items had been addressed but cash reconciliation continues to be a major issue.

Ms. Onley remarked that the recommended changes for the school procurement policy were being debated by the school's legal advisors who did not agree that these changes were needed. Dr. Holden stated that if the auditors recommended the changes then the Schools should probably just adopt them. Mr. Belote asked if the weakness was the policy or that the policy was not being followed. Ms. Onley commented that the weakness was only the policy itself.

Mr. Mason provided a status update on the list of corrective actions needed. He stated that those that involved segregation duties with the Treasurer's Office and on journal entries had been made. Dr. Holden asked if the Schools had implemented changes to segregate approval of school journal entries. Ms. Onley indicated they had.

Mr. Mason noted most of the corrective action items identified had been addressed or were in the process of being addressed. He stated submission of the unclaimed property was not due until November 1<sup>st</sup>. Ms. Major asked if unclaimed property reporting had been an issue before. Mrs. Lindsey stated it had been included in previous audit management letters but this is the first time it was elevated to a finding.

Mr. Lilliston indicated that the bank had been contacted regarding the two Sheriff's bank accounts that were flagged as not being public deposits. He advised changes had been requested to classify these two accounts as public deposits but could not confirm the bank actually made the changes.

Mr. Mason indicated that bank account reconciliations are the most significant issue remaining to be addressed and detailed some of the issues that need to be worked on. Mr. Lilliston said he would look into the remaining reconciliation issues. Both Mrs. Lindsey and Mr. Lilliston agreed that some of the changes needed have existed for a long time. In any case, this issue remains unresolved.

Mr. Belote congratulated the Corrective Action Committee on the work it had done to date to remediate the weaknesses and deficiencies.

#### **Item 4.2 Discuss timing and format of future report outs to Board of Supervisors and School Board.**

Mr. Mason indicated he believes the Committee's report should be included on the Board of Supervisor's agenda in the "committee reports" section. He believes the School Board communication can be similar. Mr. Mason recommended the report be concise.

Mr. Belote indicated he would craft language for the report that largely aligned with what was included on the agenda indicating what the committee had been working on and had discussed.

Dr. Holden asked if County staff distributes the external auditor's management comments to the Board of Supervisors. Mrs. Lindsey indicated they did. Dr. Holden stated the School Board has not received these comments in the past. Mr. Mason followed by stating that external auditors are required by the Code of Virginia to present the financial report to the Board in public session.

The committee agreed to focus their report contents on the subject matter areas identified on the meeting agenda including the status of what they have been charged with.

**Agenda Item 5 - Other business to come before the Committee**

Mr. Mason informed the Committee that the Board of Supervisors did recently set terms for their committee appointments and that members should have received a letter detailing these terms. Committee members indicated they had received the letter.

Dr. Holden indicated he would not be attending the Committee's next meeting.

**Agenda Item 6 - Adjournment**

The Accomack Audit Committee unanimously voted to adjourn at 6:00 p.m.