

At the Regular Meeting of the Accomack County Audit Committee, held on the 10th day of November, 2022, in the County Administrator's Conference Room at the County Administration Building, Room 203 located at 23296 Courthouse Avenue, Accomac, VA 23301 at 5:20 p.m.

Agenda Section 1 - Opening of Meeting

MEMBERS PRESENT AND ABSENT

Audit Committee Members Present:

Steven Belote, CPA, Chairman

C. Reneta Major

Audit Committee Members Absent:

Dr. Ronnie Holden

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

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 October 13, 2022 Meeting

Ms. Major made a motion to approve the minutes from the Committee's October 13, 2022, regular meeting. Mr. Belote seconded the motion. The meeting minutes were unanimously approved.

Agenda Section 3 – New Business

Item 3.1 Receive status update from Brown Edwards, external auditors, on FY 22 audit work completed

An update was provided by Katie Babb of Brown Edwards on the status of the FY22 audit. She stated that the Brown Edwards team was on site the prior week and were able to get through most audit areas. Some work is still awaiting review by senior Brown Edwards staff. During their time on site, they were able to wrap up Sheriff's Office testing. She noted no new findings identified; however, there are some repeat findings including:

- Failure to Remit Unclaimed Property – Stale check identified that should have been remitted on the previous unclaimed property report still being carried as outstanding.
- Late Receipt of Conflict of Interest Forms – There were a few forms submitted past the statutory deadline.
- Credit Card Statement Review - No secondary approval was obtained on a Constitutional Officer's credit card statement.

Internal control walkthroughs were also completed with no new findings identified but there will be repeat comments since some of the corrective actions being implemented by management were not in place by the end of the year. Brown Edwards will note this fact in their report.

Ms. Babb also mentioned that no new findings were found during the single audit. She indicated the County was completing edits to its procurement policy which would eliminate the one County procurement related finding. Mrs. Lindsey stated the edits were just finished and will be uploaded to the engagement organizer in short order. Ms. Babb stated the School procurement policy will be a repeat comment.

Ms. Babb indicated that completion of the audit by the statutory deadline of 12/15 was in reach. Chairman Belote asked how staff felt about the possibility of meeting this date. Mrs. Lindsey stated she needed the numbers to stop changing if there was any chance of a timely report and further disclosed she was hesitant to commit to this at this time.

Mr. Mason asked Ms. Babb what the implications would be if the 12/15 deadline was not met in terms of Brown Edwards staff availability with tax season approaching. Ms. Babb indicated they would continue to work diligently to complete the work but they would prefer to complete the engagement before the middle of January. She indicated upper management would have to answer the question about staffing availability if completion is not reached before tax season.

Chairman Belote asked what the repercussions would be if the 12/15 statutory deadline is missed. Mr. Mason responded that a report identifying late locality submissions will be disseminated by the APA. Mrs. Lindsey commented that compliance with our debt covenants was one of the larger issues. Mr. Mason added that there is no financial penalty for late completion. It was also mentioned that the County would not be able to initiate any debt issuance through a conduit bond issuer, such as VRA, until the County's financial report was available. A discussion ensued about consequences.

Ms. Onley indicated they still had journal entries to post affecting deferred revenue and accrued payroll. Mr. Mason asked Ms. Babb about GASB 87 compliance work. Mrs. Lindsey indicated the County had some GASB 87 related corrections to make.

Ms. Babb left the meeting once her report was concluded.

Agenda Section 4 – Old Business

Item 4.1. Receive Report from County and School Board Finance Directors Regarding the Status of Requested Information from Brown Edwards for the FY22 Audit.

The number of pending items in the BE engagement organizer was down to 22 according to Mrs. Lindsey and a few of those cannot be completed at this time because they rely on a third party for completion such as GFOA prior year report comments.

Mr. Mason commented that GASB 87 compliance was his largest concern because it's a new statement dictating how lease transactions are reported and that the County had close to 30 leases that it would apply to.

Ms. Onley indicated her accrued payroll entry was her biggest concern. At this time, the recorded balance on the general ledger did not agree with the supporting documentation. Use of clearing funds by the County was discussed.

Item 4.2 Receive status report on corrective actions taken to resolve FY21 Material Weaknesses and Significant Deficiencies as well as management letter comments.

Mr. Mason displayed the Microsoft Excel based list of Corrective Actions the County Corrective Action Committee was using to track status.

1. **Capital Asset Physical Inventory** - Mr. Mason pointed out that the one department, Clerk of Circuit Court, who had not submitted its capital asset inventory as of Committee's last meeting date, had since submitted the required information.
2. **Bank Reconciliations** - Mr. Mason commented that bank reconciliations were still an issue. Treasurer Lilliston added that the largest problem is the timing of the journal entries/adjustments posted after the reconciliation was completed. He noted that his department was researching any reconciliation deficiencies as they were discovered. Discussion about what constitutes a "clean" reconciliation followed.
3. **School Procurement Policy Revisions** - Ms. Onley indicated the recommended revisions to the School Procurement Policy, as proposed by Brown Edwards, had not been made but would be at a later date. She indicated it would be a repeat comment for FY22.
4. **Unclaimed Property Report** - Mr. Mason revealed that the core issue does not pertain to timely filing of the report but rather the report's contents. He indicated the most recently filed report did not include a few stale checks that should have been listed. He also stated there were outstanding checks included in the last submission that were not one year old as of the date of the report which should have been excluded. He concluded that additional staff training and supervision was needed.
5. **Payroll Review** – New procedures have been implemented by both County and School staff to review payroll changes and payroll processing results.
6. **Landfill Transaction Segregation of Duties** – Completed. Billing and collection duties divided between two employees.
7. **Other** - Chairman Belote asked if the one bank account not previously classified as a public deposit had been corrected. Treasurer Lilliston indicated he had received verbal assurance that it had from a PNC Bank representative but did not have anything in writing.

Agenda Item 5 - Other business to come before the Committee

Item 5.1 Future Meeting Agendas to Include Discussion on Upcoming New Statements Impacting ACFR or Other Emerging Compliance Issues:

Mr. Mason indicated that the following new statements will not have an impact on the FY22 ACFR but will likely impact future County reports.

- 1.1.1.GASB 101 Compensated Absences
- 1.1.2.GASB 100 Accounting Changes and Error Corrections
- 1.1.3.GASB 96 Subscription-Based Information Tech. Arrangements (SBITA)

1.1.4.GASB 91 Conduit Debt Obligations

He noted that work involved to implement GASB 96 would be significant. Mrs. Lindsey concurred.

Ms. Major inquired about how GASB 96 would affect the Department of Social Services. A discussion ensued about who owns the software that DSS uses.

Mr. Mason commented that the Audit Committee's report out to the Accomack County Board of Supervisors was on the Board's upcoming agenda.

Agenda Item 6 - Adjournment

The Accomack Audit Committee unanimously voted to adjourn at 5:59 p.m.