

**Review of 2022 Audit Results**

*FY2021 and FY2022 Administrative and Operational Support Grant Agreement*

*Attachment A – Soil and Water Conservation District (District) Fiscal Year 2021 Performance “Deliverables” and Attachment A – Soil and Water Conservation District (District) Fiscal Year 2022 Performance “Deliverables”*

The District shall act upon audit findings and grant deliverables assessments as directed by the Virginia Soil and Water Conservation Board, the Audit Subcommittee of the Virginia Soil and Water Conservation Board, and the Department. When a financial audit is conducted, a Director must participate, in person or by phone, with District staff at the District's audit exit interview.

**Recommended Motion:**

The Audit Subcommittee of the Virginia Soil and Water Conservation Board directs the Department to send letters to all of the Soil and Water Conservation Districts (Districts) audited for the fiscal years that ended on June 30, 2021 and June 30, 2022. The letter must advise the Districts of deficiencies and recurring issues noted by the auditors that must be addressed.

Additionally, the Subcommittee directs the Department to provide the letter, as approved by the Subcommittee, to Skyline Soil and Water Conservation District outlining the actions that must be taken by the District to address the finding identified by Robinson, Farmer and Cox Associates.

Further, the Subcommittee directs the Department to provide the letter, as approved by the Subcommittee, to Big Sandy Soil and Water Conservation District regarding the corrective steps taken by the District and the continued use of the Employee Pay Action Approval Form procedure.



**COMMONWEALTH of VIRGINIA**  
**DEPARTMENT OF CONSERVATION AND RECREATION**

March 23, 2023

**MEMORANDUM**

**TO:** Soil and Water Conservation District Chairpersons

**FROM:** Adam Wilson, Chairman, Audit Subcommittee

**SUBJECT:** District Audit Results with Comments and Recommendations

Under contract with the Department of Conservation and Recreation (DCR), staff from Robinson, Farmer, Cox Associates (RFC) completed an audit for twenty-three Districts for the fiscal year(s) that ended on June 30, 2021 and June 30, 2022. Additionally, four one-year audits were completed; two were completed at the direction of the Virginia Soil and Water Conservation Board (Board), and two were completed due to employee turnover. Your Conservation District Coordinator (CDC) will provide you with a copy of the results of your District's audit.

There continues to be a number of repeat issues noted by the auditors across most Districts including the use of transfers in QuickBooks and on the Attachment E, documented approvals for checks and accounts payable disbursements, cost share bid sheets, timely travel reimbursements, and the unnecessary paying of sales tax. While these issues have not generated findings for most Districts, they continue to need further attention. Repeat comments in future audits will generate findings.

I also want to remind all District staff and Directors of actions taken by the Board to ensure all appropriate signatures are completed on the VACS contract. I cannot stress enough the importance of fully executed contract Parts I, II, and III documents. These are legally binding contracts and missing signatures can cause issues should a repayment by the participant be required in later years. The cost-share and technical assistance grant agreements approved by this Board authorizes the Department to implement financial repercussions when signatures are found missing during financial audits, administrative cost share file reviews, and verifications for all practices where payment was issued on or after July 1, 2022.

Furthermore, any specific area(s) of concern identified in your District audit should be addressed immediately. Repeat comments found in the next audit cycle will result in a request to address the Audit Subcommittee and require a Performance Improvement Plan (PIP). I cannot over-emphasize the importance of sound fiscal management. We are all entrusted with public monies so the careful management of these funds is paramount to our success and in assuring the public confidence in our organizations.

Your CDC is available should you have any questions or comments concerning this audit and to assist with further discussions and corrective actions related to these audit comments and recommendations.



# ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

**DATE:** February 24, 2023

**MEMORANDUM TO:** Virginia Department of Conservation and Recreation  
Division of Soil and Water Conservation

**FROM:** Robinson, Farmer, Cox Associates (RFC)

**REGARDING:** FY21 and FY22 Audits

We were engaged by the Virginia Department of Conservation and Recreation (DCR) to audit the statements of cash receipts and disbursements for twenty-six Soil and Water Conservation Districts (the Districts) in Virginia. In planning and performing our audits of the statements of cash receipts and disbursements of the Districts, we considered the Districts' internal control structure to plan our auditing procedures for the purpose of expressing our opinions on the statements of cash receipts and disbursements and not to provide assurance on the internal control structure.

However, during our audits, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our twenty-four reports on the statements of cash receipts and disbursements of the Districts. 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.

## **Attachment E Reporting**

Attachment E quarterly financial reports submitted to DCR were reconciled by RFC to the underlying accounting records at all Districts. During the course of audit fieldwork, we summarized and reconciled the YTD Attachment E report (5<sup>th</sup> tab) prepared for each year to a QuickBooks Profit and Loss statement and Balance Sheet. Reconciliations at all Districts were materially correct and in substantial agreement with the supporting documents.

Noted below are several Attachment E preparation recommendations targeted to specific Districts based on our audits.

- A few Districts improperly reported banking transfers in the receipts and disbursements in QuickBooks. Receipts and disbursements were properly reported net of the bank transfers on the Attachment E but this caused reconciling issues between the accounting system and the Attachment E. Transfers between bank accounts should be properly recorded in QuickBooks and these transactions should not increase the reported receipts and disbursements.

## **Check Issuance**

All invoices should be reviewed and initialed by two authorized representatives of the District prior to payment. RFC noted several instances at various Districts where invoices selected for testing did not have the documented approvals by District representatives.

### **Insured Bank Accounts**

Most Districts maintain their cash balances in accounts that are FDIC insured up to \$250,000 and insured under the Virginia Security for Public Deposits for amounts greater than \$250,000. During the course our audit, RFC noted that a few Districts had cash in banks that were not being reported as public funds and thus not insured under the Virginia Security for Public Deposits Act.

### **Cost Share Payments and Documentation**

During our audit of cost share disbursements, there were two districts that failed to provide bidding sheets that should have been required. We recommend that bidding sheets (bid forms) be completed and maintained in each practice's folder.

### **Travel Reimbursements**

We noted instances where reimbursements (usually mileage) were made past 60 days from when the expense occurred. Per IRS Publication 463, employees must account for expenses within 60 days after they were incurred. We recommend that all reimbursed employee expenses follow IRS Publication 463.

### **Sales Tax**

The Desktop Procedures indicates that Districts shall get a tax exemption for all stores that are frequented more than three times in a fiscal year, or where any one purchase is \$100 or greater. There were many instances during the year where sales tax was paid, at multiple districts. The Districts should file exemptions with their local retailers to better ensure compliance with this policy.

### **Accounts Payable Disbursements**

The Desktop Guide requires that all disbursements be supported by documentation that is approved by two signatures. However, we noted instances at a few districts where there were disbursements being made that only contained one signature. These instances seemed to be obscure oversights, but careful attention should be given to make sure that all disbursements have two signatures of approval.

Department of Conservation and Recreation, Division of Soil and Water Conservation  
Matrix of Internal Control Recommendations by District  
For the two years ended June 30, 2022

District	No Comments	Attachment E	Accounting System	Check Signatures	Insured Bank Accts	A/P Items	Payroll items	Cost Share	Sales Tax	Credit Cards	Count
1 Appomattox River	✓										0
2 Big Sandy *						✓	✓				2
3 Big Walker			✓		✓	✓		✓			4
4 Blue Ridge			✓								1
5 Chowan Basin						✓					1
6 Colonial								✓		✓	2
7 Culpeper		✓							✓		2
8 Eastern Shore	✓										0
9 Evergreen					✓		✓	✓			3
10 Hanover-Caroline			✓			✓					2
11 Headwaters	✓										0
12 Henricopolis *	✓										0
13 Loudoun *			✓								1
14 Monacan	✓										0
15 New River	✓										0
16 Northern Neck	✓										0
17 Northern Virginia	✓										0
18 Patrick	✓										0
19 Peaks of Otter	✓										0
20 Piedmont					✓						1
21 Pittsylvania						✓		✓			2
22 Scott County			✓					✓			2
23 Skyline				✓					✓		2
24 Thomas Jefferson									✓		1
25 Tidewater	✓										0
26 Tri-County/City *		✓									1
27 Virginia Dare	✓										0
Count	12	2	5	1	3	5	2	5	3	1	

\* Indicates a one year audit only.



**COMMONWEALTH of VIRGINIA**  
**DEPARTMENT OF CONSERVATION AND RECREATION**

March 23, 2023

Mr. John Lawson, Chair  
Skyline Soil and Water Conservation District  
Post Office Box 711  
Floyd, Virginia 24091

Re: District Audit Results and Significant Findings Memo

Dear Mr. Lawson,

Earlier this calendar year, staff from Robinson, Farmer, Cox Association (RFC), under contract with the Department of Conservation and Recreation (Department), completed an audit for your District for the fiscal years that ended on June 30, 2021 and June 30, 2022. Attached is a copy of the Significant Findings Memo we received from RFC as well as a copy of the overall audit results report.

As noted in the Memo, significant findings regarding the internal control structure and other operational matters were noted during the audit that require the District's immediate attention. Deficiencies noted relate to check issuance and improper payment of sales tax.

Per section § 58.1-609.1(16) of the *Code of Virginia*, Soil and Water Conservation District are exempt from paying sales and use tax. The Desktop Procedures for District Fiscal Operations cites that all Districts should apply for sale tax exemptions at stores which they frequent more than 3 times in a fiscal year or where any one purchase is \$100 or greater. It was noted by RFC that Skyline improperly paid sales tax on multiple occasions at the following stores: Kroger, Sam's Club, Food City, Food Lion, Target, and Walmart. The District must obtain tax exempt status at each of these establishments and must provide proof of exemption to the Department by June 1, 2023. Please send the documentation related to these exemptions to Ms. Blair Gordon at [blair.gordon@dcr.virginia.gov](mailto:blair.gordon@dcr.virginia.gov).

Due to the deficiencies in check issuance noted by RFC, the District will undergo a special audit to ensure proper signatures are being obtained on checks over \$1,000, as required by the District's approved check signing policy and the Desktop Procedures for District Fiscal Operations. The audit will only focus on the corrective actions to be taken by the District; it will not be a full financial audit. The expense of the audit will be reduced from the District's FY2024 administrative and operations allocation.

Your DCR Conservation District Coordinator, Stacy Horton, is available should you have any questions or comments concerning this audit and to assist with further discussion and corrective actions related to the audit matter.

Sincerely,

Adam D. Wilson, Chair  
Audit Subcommittee  
Virginia Soil and Water Conservation Board

cc: Alan Leet, Treasurer, Skyline Soil and Water Conservation District  
Cynthia Hancock, District Manager, Skyline Soil and Water Conservation District  
Stacy Horton, Department of Conservation and Recreation  
Blair Gordon, Department of Conservation and Recreation



## ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

**DATE:** February 23, 2022

**MEMORANDUM TO:** Skyline Soil and Water Conservation District

**FROM:** Robinson, Farmer, Cox Associates (RFC)

**REGARDING:** FY21 and FY22 Audits

We were engaged by the Virginia Department of Conservation and Recreation (DCR) to audit the statements of cash receipts and disbursements for Skyline Soil and Water Conservation District (the District). In planning and performing our audits of the statements of cash receipts and disbursements of the Districts, we considered the Districts' internal control structure to plan our auditing procedures for the purpose of expressing our opinions on the statements of cash receipts and disbursements and not to provide assurance on the internal control structure.

However, during our audits, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report on the statements of cash receipts and disbursements of the Districts. 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.

### **Check Issuance / Disbursements**

All disbursements over \$1,000 are required to have two authorized signatures on the check before issuance. During our testing, we noted multiple instances of operating checks and cost share program checks that contained only one signature. The noted exceptions for operating checks spanned over both years under audit. Exceptions in the cost share program testing were only noted for the year ending June 30, 2021. Of the cost share payments that were tested for the year ended June 30, 2022, we noted no exceptions.

### **Payment of Sales Tax**

We noted multiple instances of sales tax paid on purchases greater than \$100.00, and on purchases from vendors that are frequented more than three times annually. Per the Desktop Procedures, districts should obtain a sales tax certificate to exempt them from sales tax when the purchase is greater than \$100.00 or at vendors that the district purchases from three or more times per year.





**1236 Almarine Drive, Grundy VA 24614**  
**Phone: (276) 935-7750, Fax: (276) 935-7752**

*Ruth Horn, Chairperson*  
*Brad Mullins, Vice Chairman*  
*Jerry Helton, Director/Secretary*  
*James Horn, Director*  
*Jerry Ward, Director*  
*Taylor Burgess, Associate Director/Treasurer*  
*Bobby Looney, Associate Director*  
*Virginia Looney, Associate Director*  
*Jeanne Presley, District Manager*  
*Anthony Justus, Conservation Specialist*

Adam Wilson, Chairman  
Audit Subcommittee

RE: Big Sandy SWCD Audit 2023

Dear Mr. Wilson:

Regarding the recent audit conducted by Robinson, Farmer and Cox for the Big Sandy Soil & Water Conservation District, findings indicated that during the test of payroll the auditor was not provided with any backup documentation to support pay rates for employees.

During the audit, staff was unable to provide the supporting documentation requested by the auditor. The former District Manager passed away in November of 2021. She had responsibility for filing the supporting documents in the personnel folders. However, she had failed to file these documents for the period that was reviewed.

Subsequent to the audit, the supporting documentation was located and filed in the employees' personnel folders. The District Manager informed the District Board at the meeting held on February 15, 2023, that in accordance with Desktop Procedures for District Fiscal Operations effective July 1, 2022, the Employee Pay Action Approval Form procedure will be adhered to in the future.

Sincerely,

A handwritten signature in cursive script that reads "Brad Mullins".

Brad Mullins  
Vice Chairman  
Big Sandy Soil & Water Conservation District

Soil and Water Conservation Districts  
Desktop Procedures for District Fiscal Operations

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**Sample Employee Pay Action Approval Form**

\_\_\_\_\_ **Soil and Water Conservation District**  
**Employee Pay Action Approval Form**

Employee Name: \_\_\_\_\_

Position title: \_\_\_\_\_

Initial Employment Date: \_\_\_\_/\_\_\_\_/\_\_\_\_ Exempt or Non-Exempt status: \_\_\_\_\_

SWCD Board Meeting Approval Date \_\_\_\_/\_\_\_\_/\_\_\_\_

Date	Description of Pay Action	Amount of Pay Action	Employee Current Pay Rate	Employee New Pay Rate	Signature (Chair or Personnel Comm. Chair)

Travis A. Voyles  
*Secretary of Natural and Historic Resources*

Matthew S. Wells  
*Director*

Andrew W. Smith  
*Chief Deputy Director*



**COMMONWEALTH of VIRGINIA**  
**DEPARTMENT OF CONSERVATION AND RECREATION**

March 23, 2023

Frank N. Stovall  
*Deputy Director  
for Operations*

Darryl Glover  
*Deputy Director for  
Dam Safety,  
Floodplain Management and  
Soil and Water Conservation*

Laura Ellis  
*Deputy Director for  
Administration and Finance*

Ms. Ruth Horn, Chair  
Big Sandy Soil and Water Conservation District  
1236 Almarine Drive  
Grundy, Virginia 24614

Re: District Audit Results and Significant Findings Memo

Dear Ms. Horn:

Earlier this calendar year, staff from Robinson, Farmer, Cox Associates (RFCA), under contract with the Department of Conservation and Recreation (Department), completed an audit for your District for the fiscal year(s) that ended on June 30, 2021 and June 30, 2022. During the audit, it was discovered that documentation supporting pay raises for employees was unable to be located.

As the letter provided by the District explains that the necessary documentation has been located and appropriately filed in the personnel files, and as Department staff has verified that the appropriate steps have been taken to remedy this finding, the Audit Subcommittee believes the District has addressed this audit finding. Adhering to the District's Employee Pay Action Approval Form procedure must continue; therefore, during the next regularly scheduled financial audit of the District, compliance with this procedure will be closely examined.

The Audit Subcommittee appreciates the seriousness with which the District responded to the audit findings and commends the District Board and District staff for their efforts.

Sincerely,

Adam D. Wilson, Chair  
Audit Subcommittee  
Virginia Soil and Water Conservation Board

cc: Taylor Burgess, Treasurer, Big Sandy Soil and Water Conservation District  
Jeanne Presley, District Manager, Big Sandy Soil and Water Conservation District  
Stacy Horton, Department of Conservation and Recreation