

January 10, 2025

Richard F. Haynie
Chair, County Board of Supervisors
Northumberland County
72 Monument Place
Heathsville, VA 22473

Dear Mr. Haynie:

We are pleased to present to you our forensic audit report on the effectiveness and efficiency of the County's control environment.

We appreciate the courtesy that was extended to us by you and your entire team, especially Luttrell Tadlock, Mary Dodson, Pam King, Gail Dungan, Holly Wargo, and Tara Booth.

Please feel free to reach out to me at jreagan@uhy-us.com or at 410-423-4800 should you have any questions.

Very truly yours,



Jack Reagan
Managing Director
UHY Advisors MidAtlantic, Inc.

Northumberland County
Forensic Auditing Services
Contract #23-12182023

Table of Contents

| | |
|---|----|
| Executive Summary..... | 4 |
| Scope of Work..... | 4 |
| Audit Findings Summary | 4 |
| Northumberland County Public Schools..... | 4 |
| County & Treasurer | 4 |
| Recommendations | 4 |
| Northumberland County Public Schools..... | 4 |
| County & Treasurer | 5 |
| Background | 6 |
| Site Conditions | 6 |
| Financial Overview..... | 7 |
| Detailed Scope of Work | 13 |
| Methodology..... | 14 |
| Evaluation of Policies & Procedures | 16 |
| Northumberland County Public Schools..... | 16 |
| County & Treasurer | 21 |
| Audit Results & Observations | 27 |
| Recommendations | 44 |
| Northumberland County Public Schools..... | 44 |
| County & Treasurer | 45 |
| Conclusion..... | 46 |
| APPENDICES | 48 |
| Appendix A – List of Documents | 49 |
| Appendix B – List of Interviewees..... | 52 |

Executive Summary

Northumberland County issued an RFP for Auditing Services: #23-12182023. UHY Advisors Mid-Atlantic, Inc. was awarded the contract to perform forensic auditing services.

Scope of Work

We conducted this Forensic audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the forensic audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our forensic audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions. The report below contains the specific accounts and divisions of Northumberland County that were reviewed; however, in summary all County, Treasurer, and Northumberland County Public Schools (NCPS) transactions and activities in scope were from fiscal years 2019-2023.

Audit Findings Summary

Northumberland County Public Schools

We have determined that the NCPS has a deficiency in the enforcement of their policies and procedures, particularly around proper document retention, budget management, and approvals. Formal Finance Department policies and procedures are outdated and have not been formalized in the Payroll Department. We executed a disbursements sample by selecting five batched disbursements for both Amazon and Visa vendor disbursements and 20 other disbursements in each fiscal year (FY) tested. We determined that there were limited records supporting these disbursements, and the appropriate approvals, during FY 2019-2022; however, similar documentation findings were greatly reduced across all vendors in FY 2023. We tested 10 fixed assets transactions, noting consistent record retention issues for acquisitions of fixed assets. We also tested one disposition of an asset with no findings. We also tested the records maintained for 20 new hires and terminated employees as well as 26 current employees from FYS 2019-2023. The lack of payroll documentation retained, including new hire contracts, completed I-9s, completed background information, Yellow Forms and evidence of timely inclusion and removal of employees in PowerSchool, remained a significant deficiency for all years. We determined that a lack of documentation limits the scope of our audit tests designed to identify fraud, waste, and abuse of funds.

County & Treasurer

The audit revealed that, while the County and Treasurer's Office have established financial management processes and controls, there are significant gaps that fall in the following categories:

- Succession planning;
- Segregation of duties;
- Robust current policies and procedures; and
- Proper oversight of key functions.

These deficiencies pose risks of potential mismanagement of funds, lack of accountability, and inefficiencies in financial operations.

Recommendations

Based on our audit results and observations, we recommend the following:

Northumberland County Public Schools

1. The budget management process should be updated as follows:

- Perform a budget reconciliation after every instance in which approved budgets and modifications are uploaded to the IT system to ensure that the budget updates in the system tie to each budget category in RDA, the Schools' IT system.
- Improve general ledger account management by performing a reconciliation between the budget account detail and the general ledger chart of accounts in RDA. Unreconciled account numbers should be removed so the NCPS general ledger detail correlates with the detail presented to the public. All accounts should roll up to the presented public budget, including Elementary and Secondary School Emergency Relief (ESSER) funds and other modifications.
- The annual budget should be managed by category, not total appropriated annual budget amount, to be consistent with the County's approved appropriations legislation.

This will help ensure the approved budget is effectively managed.

2. Succession Planning: Develop a formal succession planning policy outlining roles, responsibilities, and timelines. Additionally, consider cross training and job shadowing to facilitate knowledge transfer.
3. Document Segregation of Duties: Require that no single individual has control over all aspects of any financial transaction to reduce the risk of errors or fraud. Ensure that, in such cases where no alternatives exist, proper and consistent signatures on relevant documentation are maintained.
4. Record retention: Establish consistent and secure methods of retaining vital documentation around all accounting and human resource functions in accordance to the NCPS' policies and procedures.
5. Enforce Policies and Procedures: Ensure existing policies and procedures are maintained, enforced, and updates are properly communicated and adhered to.

County & Treasurer

1. Succession Planning: Develop a formal succession planning policy outlining roles, responsibilities, and timelines for succession planning. Additionally, implement knowledge transfer and job shadowing.
2. Document Segregation of Duties: Require that no single individual has control over all aspects of any financial transaction to reduce the risk of errors or fraud. Ensure that, in such cases where no alternatives exist, proper and consistent signatures on relevant documentation are maintained.
3. Develop Robust Policies and Procedures: Create and enforce comprehensive policies and procedures for all key functions, ensuring they are regularly reviewed and updated.
4. Enhance Oversight Mechanisms: Implement proper oversight and review processes for all critical financial activities to ensure accountability and transparency.

Implementing these recommendations will significantly enhance the internal controls within NCPS, the County, and the Treasurer's Offices. This will ensure consistent financial management processes, increase transparency, and improve accountability. Regular reviews and updates of these policies and procedures will further maintain their effectiveness and relevance.

Background

Northumberland County, Virginia, was originally known as Chickacoan, an Indian district on the Northern Neck, lying between the Rappahannock and Potomac rivers, tributaries of the Chesapeake Bay.

Northumberland County is located on the Northern Neck peninsula of Virginia. Established in 1648, it is one of the oldest counties in the Commonwealth of Virginia. The County was officially formed by an act passed by the Burgesses in Jamestown, Virginia. It was later divided into three additional counties: Lancaster, Richmond and Westmoreland. Northumberland County has an area of approximately 222 square miles and a population of 12,400 people.

For hundreds of years, Northumberland remained a County largely isolated from the rest of the state due to the lack of a road network. But in 1926, with the bridge crossing from Essex County to the Northern Neck, with access to the west, growth began in the area.

The mission of the NCPS, in collaboration with parents, educators, and community members is to provide our students with the skills and knowledge necessary to enable them to succeed in an ever changing and competitive world. NCPS believes the school environment should be safe and caring to develop the physical, social, emotional, and intellectual potential of each of the students so that they will be able to successfully compete in today's highly global and technological society.

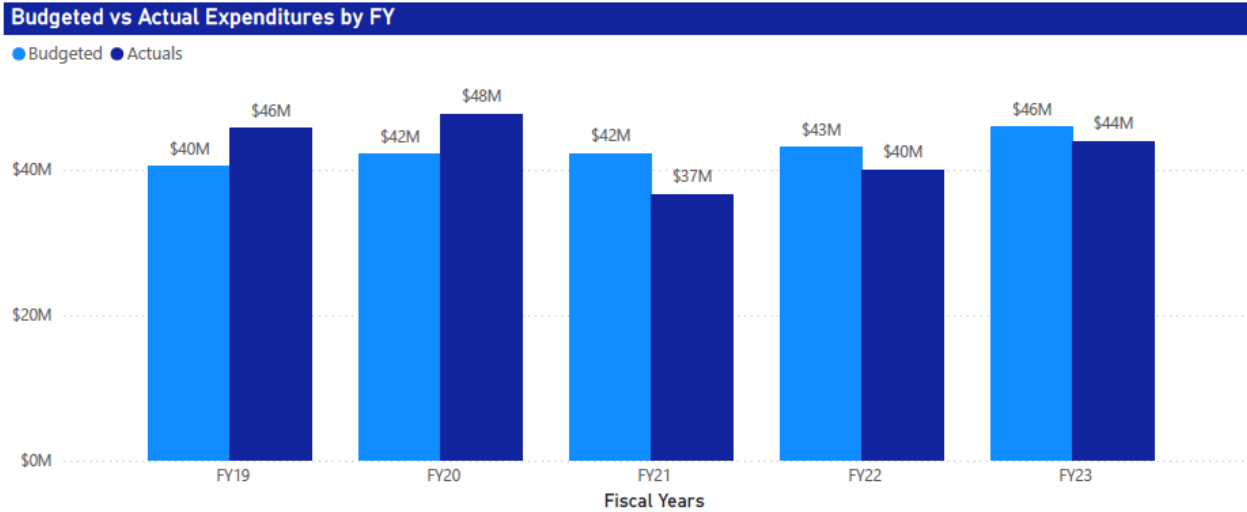
Site Conditions

Northumberland County's reliance on long-standing software and systems has been effective due to its small size and manageable administrative demands. However, the audit highlights the need to modernize certain processes and implement more robust internal controls and segregation of duties to adapt to evolving financial management practices and ensure long-term fiscal health.

Financial Overview

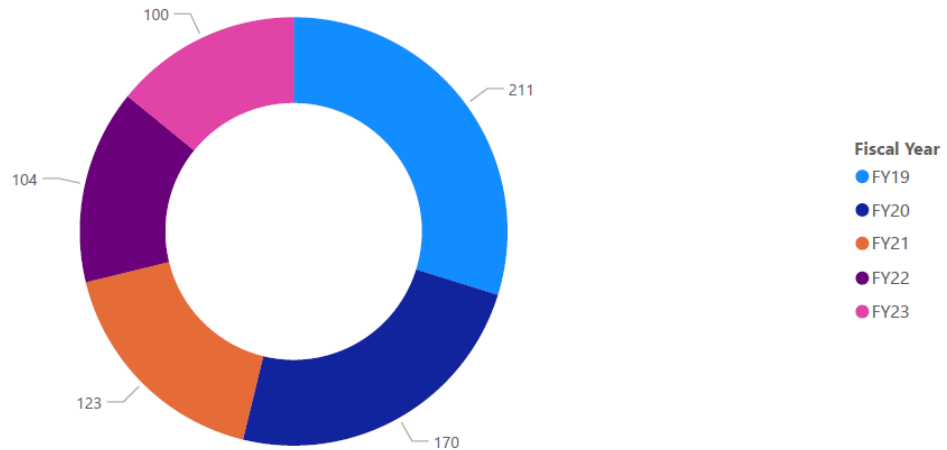
Historically, Northumberland County has maintained a sound financial footing, supported by its effective internal controls. However, recent fiscal years have seen increased expenditures and a noticeable depletion of fund balances, prompting the need for a thorough forensic audit to evaluate the financial activities and internal control processes.

The visualization below provides a comparative analysis of budgeted versus actual expenditures across five fiscal years, from FYs 2019-2023, illustrating the County's financial management trends, as well as highlighting changes in budgetary alignment and fiscal discipline.



The NCPS visualizations below provide a comparative analysis of budgeted versus actual expenditures across Northumberland Elementary School (NES), Northumberland Middle School (NMS), Northumberland High School (NHS), and the District over five fiscal years from FYS 2019-2023. The analysis revealed key findings consistent within each entity. **This analysis is in line with our findings and discussion with NCPS. The budget vs. actual analysis shows large variances that are driven by active accounts that are not in the accounts that are presented in budgetary status reports.** The report that is presented to the board of supervisors, to the school board, and to other interested parties does not present 100% of the budgetary activity recorded in the general ledger accounts in the NCPS IT system. Because of this reporting discrepancy, the complete picture of the status of the actual spending versus the final approved budget for NCPS is not presented to these entities. We have discussed periodic reconciliations of accounts and updates to be made to the budget on a quarterly basis, including identifying and adjusting for material variances.

NCPS Reporting Discrepancies by Account by Year



| Budget Development | | | | | |
|------------------------------------|---|--|---|--|--|
| Categories | Original School Budget Approved by the County | Approved Budget Modifications (Source County System) | Recalculated Final School Budget With Modifications | Final Recorded School Budget per the County System | Tie Out Between County and School Annual Approved Budget |
| 2019 | 18,181,954.00 | 346,144.98 | 18,528,098.98 | 17,957,968.98 | (10,094.00) |
| Other Appropriations (69800) | - | - | - | - | - |
| 1. Instruction | 12,874,194.00 | - | - | - | - |
| 2. Administration and Health | 870,640.00 | - | - | - | - |
| 3. Pupil Transportation | 1,138,470.00 | - | - | - | - |
| 4. Operation and Maintenance | 1,801,350.00 | - | - | - | - |
| 5. Facilities | 47,000.00 | - | - | - | - |
| 6. Other (Debt Service, Transfers) | 63,207.00 | - | - | - | - |
| 7. Technology | 816,966.00 | - | - | - | - |
| 8. Food Service | 570,127.00 | - | 570,127.00 | 580,224.00 | (10,097.00) |
| 2020 | 18,865,997.00 | 493,164.47 | 19,359,161.47 | 18,769,988.47 | (1.00) |
| Other Appropriations (69800) | - | - | - | - | - |
| 1. Instruction | 13,446,305.00 | - | - | - | - |
| 2. Administration and Health | 896,816.00 | - | - | - | - |
| 3. Pupil Transportation | 1,153,958.00 | - | - | - | - |
| 4. Operation and Maintenance | 1,844,078.00 | - | - | - | - |
| 5. Facilities | 47,000.00 | - | - | - | - |
| 6. Other (Debt Service, Transfers) | 42,090.00 | - | - | - | - |
| 7. Technology | 846,576.00 | - | - | - | - |
| 8. Food Service | 589,174.00 | - | 589,174.00 | 589,174.00 | - |
| 2021 | 19,230,329.00 | 751,753.95 | 19,982,082.95 | 19,364,702.95 | (1.00) |
| 1. Instruction | 13,337,286.00 | - | - | - | - |
| 2. Administration and Health | 1,170,329.00 | - | - | - | - |
| 3. Pupil Transportation | 1,273,417.00 | - | - | - | - |
| 4. Operation and Maintenance | 1,857,555.00 | - | - | - | - |
| 5. Facilities | 47,000.00 | - | - | - | - |
| 6. Other (Debt Service, Transfers) | 7,859.00 | - | - | - | - |
| 7. Technology | 919,502.00 | - | - | - | - |
| 8. Food Service | 617,381.00 | - | 617,381.00 | 617,381.00 | - |
| 2022 | 20,355,940.00 | 6,174,615.22 | 26,530,555.22 | 26,530,551.22 | 4.00 |
| 1. Instruction | 14,305,728.00 | 1,772,761.00 | 16,078,489.00 | 16,078,488.00 | 1.00 |
| 2. Administration and Health | 1,222,004.00 | - | 1,222,004.00 | 1,222,002.00 | 2.00 |
| 3. Pupil Transportation | 1,323,802.00 | 338,555.00 | 1,662,357.00 | 1,662,358.00 | (1.00) |
| 4. Operation and Maintenance | 1,880,792.00 | 1,830,149.22 | 3,710,941.22 | 3,710,942.22 | (1.00) |
| 5. Facilities | 47,000.00 | 1,500,000.00 | 1,547,000.00 | 1,547,000.00 | - |
| 6. Other (Debt Service, Transfers) | 7,859.00 | - | 7,859.00 | 7,859.00 | - |
| 7. Technology | 944,041.00 | 720,150.00 | 1,664,191.00 | 1,664,191.00 | - |
| 8. Food Service | 624,714.00 | 13,000.00 | 637,714.00 | 637,711.00 | 3.00 |
| 2023 | 5,882,134.50 | 19,605,802.12 | 25,487,936.62 | 25,487,936.62 | - |
| 1. Instruction | 3,799,247.25 | 12,455,809.16 | 16,255,056.41 | 16,255,056.41 | - |
| 2. Administration and Health | 305,603.75 | 916,811.25 | 1,222,415.00 | 1,222,415.00 | - |
| 3. Pupil Transportation | 342,439.00 | 1,108,358.02 | 1,450,797.02 | 1,450,797.02 | - |
| 4. Operation and Maintenance | 515,816.00 | 1,993,164.41 | 2,508,980.41 | 2,508,980.41 | - |
| 5. Facilities | 12,625.00 | 1,537,875.00 | 1,550,500.00 | 1,550,500.00 | - |
| 6. Other (Debt Service, Transfers) | 1,964.75 | 5,894.25 | 7,859.00 | 7,859.00 | - |
| 7. Technology | 250,276.75 | 1,518,132.03 | 1,768,408.78 | 1,768,408.78 | - |
| 8. Food Service | 654,162.00 | 69,758.00 | 723,920.00 | 723,920.00 | - |

| Categories | Budget Development | | | | | | | |
|------------------------------------|--------------------------------|--|-------------------------|---|---|---|----------------------|---|
| | Final Budget per School System | Original Budget to Final Budget Variance | ESSER Budget per System | Remaining Variance: System Budget Less Fund 5 (ESSER) | Non-ESSER Modifications per County System | Remaining Variance less Non-ESSER Modifications per County System | ACFR Final Budget | System Final Budget to ACFR Final Budget Variance |
| 2019 | 18,545,018.11 | 363,064.11 | N/A | N/A | 346,144.98 | 16,919.13 | 18,568,149.00 | (23,130.89) |
| Other Appropriations (69800) | 165,900.00 | 165,900.00 | - | - | - | - | - | 165,900.00 |
| 1. Instruction | 12,877,467.00 | 3,273.00 | - | - | - | - | 12,965,008.00 | (87,541.00) |
| 2. Administration and Health | 870,642.00 | 2.00 | - | - | - | - | 870,642.00 | - |
| 3. Pupil Transportation | 1,137,561.00 | (909.00) | - | - | - | - | 1,127,421.00 | 10,140.00 |
| 4. Operation and Maintenance | 1,804,454.73 | 3,104.73 | - | - | - | - | 1,986,150.00 | (181,695.27) |
| 5. Facilities | 43,895.27 | (3,104.73) | - | - | - | - | 212,900.00 | (169,004.73) |
| 6. Other (Debt Service, Transfers) | 250,234.11 | 187,027.11 | - | - | - | - | - | 250,234.11 |
| 7. Technology | 824,737.00 | 7,771.00 | - | - | - | - | 795,848.00 | 28,889.00 |
| 8. Food Service | 570,127.00 | - | - | - | - | - | 610,180.00 | (40,053.00) |
| 2020 | 19,347,274.12 | 481,277.12 | N/A | N/A | 493,164.47 | (11,887.35) | 19,508,870.00 | (161,595.88) |
| Other Appropriations (69800) | - | - | - | - | - | - | - | - |
| 1. Instruction | 13,485,985.19 | 39,680.19 | - | - | - | - | 13,526,602.00 | (40,616.81) |
| 2. Administration and Health | 908,816.00 | 12,000.00 | - | - | - | - | 896,816.00 | 12,000.00 |
| 3. Pupil Transportation | 1,153,958.00 | - | - | - | - | - | 1,153,958.00 | - |
| 4. Operation and Maintenance | 1,844,078.00 | - | - | - | - | - | 2,303,946.00 | (459,868.00) |
| 5. Facilities | 47,000.00 | - | - | - | - | - | 42,090.00 | 4,910.00 |
| 6. Other (Debt Service, Transfers) | 457,797.93 | 415,707.93 | - | - | - | - | - | 457,797.93 |
| 7. Technology | 868,997.00 | 22,421.00 | - | - | - | - | 846,576.00 | 22,421.00 |
| 8. Food Service | 580,642.00 | (8,532.00) | - | - | - | - | 738,882.00 | (158,240.00) |
| 2021 | 21,396,652.11 | 2,166,323.11 | 2,073,731.11 | 92,592.00 | 659,161.95 | (566,569.95) | 20,041,073.00 | 1,355,579.11 |
| 1. Instruction | 13,765,961.28 | 428,675.28 | 463,286.28 | (34,611.00) | - | - | 13,711,387.00 | 54,574.28 |
| 2. Administration and Health | 1,179,229.00 | 8,900.00 | 4,500.00 | 4,400.00 | - | - | 1,160,788.00 | 18,441.00 |
| 3. Pupil Transportation | 1,601,466.00 | 328,049.00 | 328,048.00 | 1.00 | - | - | 1,273,418.00 | 328,048.00 |
| 4. Operation and Maintenance | 2,226,927.43 | 369,372.43 | 334,903.43 | 34,469.00 | - | - | 1,859,927.00 | 367,000.43 |
| 5. Facilities | 59,977.00 | 12,977.00 | 12,977.00 | - | - | - | 47,000.00 | 12,977.00 |
| 6. Other (Debt Service, Transfers) | 26,783.00 | 18,924.00 | - | 18,924.00 | - | - | - | 26,783.00 |
| 7. Technology | 1,918,928.40 | 999,426.40 | 930,016.40 | 69,410.00 | - | - | 1,126,650.00 | 792,278.40 |
| 8. Food Service | 617,380.00 | (1.00) | - | (1.00) | - | - | 861,903.00 | (244,523.00) |
| 2022 | 22,106,835.94 | 1,750,895.94 | 1,672,513.72 | 78,382.22 | 1,140,462.48 | 728,494.70 | 24,814,903.00 | (2,708,067.06) |
| 1. Instruction | 14,926,946.49 | 621,218.49 | 585,248.24 | 35,970.25 | 895,287.48 | 931,257.73 | 16,082,955.00 | (1,156,008.51) |
| 2. Administration and Health | 1,222,002.00 | (2.00) | - | (2.00) | - | (2.00) | 1,222,002.00 | - |
| 3. Pupil Transportation | 1,646,918.48 | 323,116.48 | 323,115.48 | 1.00 | 4,200.00 | (4,199.00) | 1,662,358.00 | (15,439.52) |
| 4. Operation and Maintenance | 2,178,793.00 | 298,001.00 | 298,000.00 | 1.00 | 240,975.00 | (240,974.00) | 1,945,589.00 | 233,204.00 |
| 5. Facilities | 47,000.00 | - | - | - | - | - | 1,547,000.00 | (1,500,000.00) |
| 6. Other (Debt Service, Transfers) | 14,715.97 | 6,856.97 | - | 6,856.97 | - | 6,856.97 | - | 14,715.97 |
| 7. Technology | 1,448,691.00 | 504,650.00 | 466,150.00 | 38,500.00 | - | 38,500.00 | 1,664,191.00 | (215,500.00) |
| 8. Food Service | 621,769.00 | (2,945.00) | - | (2,945.00) | - | (2,945.00) | 690,808.00 | (69,039.00) |
| 2023 | 24,989,603.96 | 19,107,469.46 | 3,350,915.58 | 15,756,553.88 | 16,470,642.94 | 2,636,826.52 | 27,235,111.00 | (2,245,507.04) |
| 1. Instruction | 15,669,764.58 | 11,870,517.33 | 483,269.58 | 11,387,247.75 | 12,013,326.16 | (142,808.83) | 16,668,035.00 | (998,270.42) |
| 2. Administration and Health | 1,222,607.60 | 917,003.85 | - | 917,003.85 | 916,811.25 | 192.60 | 1,222,415.00 | 192.60 |
| 3. Pupil Transportation | 1,499,339.02 | 1,156,900.02 | 132,192.02 | 1,024,708.00 | 1,027,317.00 | 129,583.02 | 1,450,797.00 | 48,542.02 |
| 4. Operation and Maintenance | 2,580,885.00 | 2,065,069.00 | 519,198.00 | 1,545,871.00 | 1,648,831.03 | 416,237.97 | 2,656,431.00 | (75,546.00) |
| 5. Facilities | 1,565,213.78 | 1,552,588.78 | 1,500,000.00 | 52,588.78 | 37,875.00 | 1,514,713.78 | 2,684,672.00 | (1,119,458.22) |
| 6. Other (Debt Service, Transfers) | 7,859.00 | 5,894.25 | - | 5,894.25 | 5,894.25 | - | - | 7,859.00 |
| 7. Technology | 1,794,804.98 | 1,544,528.23 | 716,255.98 | 828,272.25 | 750,830.25 | 793,697.98 | 1,768,409.00 | 26,395.98 |
| 8. Food Service | 649,130.00 | (5,032.00) | - | (5,032.00) | 69,758.00 | (74,790.00) | 784,352.00 | (135,222.00) |

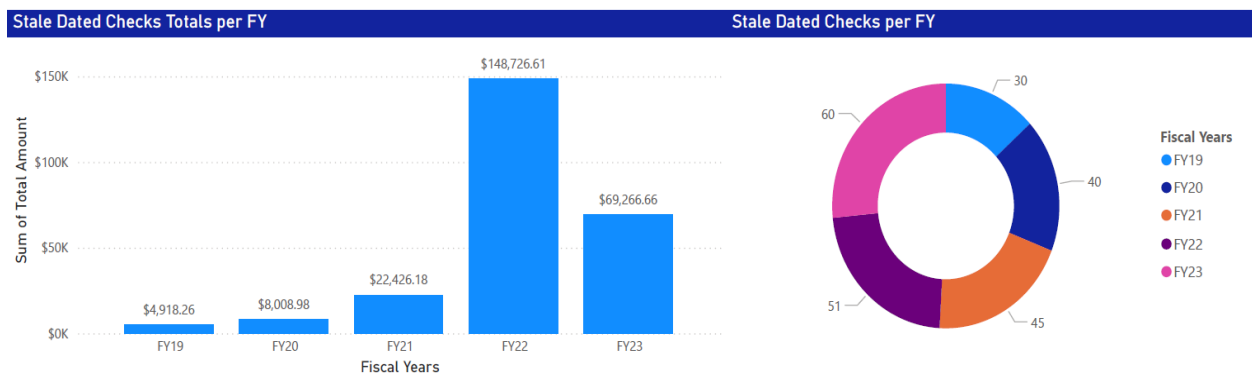
| Budget Management | | | | |
|------------------------------------|------------------------------|---|------------------------|---|
| Categories | GL EXPENDITURES YEAR TO DATE | ACFR Final Budget to GL Expenditures Variance | ESSER Spent per System | Remaining Variance: System Expenditures Less Fund 5 (ESSER) |
| 2019 | 18,533,638.58 | 34,510.42 | N/A | 34,510.42 |
| Other Appropriations (69800) | - | - | - | - |
| 1. Instruction | 12,862,746.60 | 102,261.40 | - | 102,261.40 |
| 2. Administration and Health | 862,411.01 | 8,230.99 | - | 8,230.99 |
| 3. Pupil Transportation | 1,270,775.38 | (143,354.38) | - | (143,354.38) |
| 4. Operation and Maintenance | 1,917,026.77 | 69,123.23 | - | 69,123.23 |
| 5. Facilities | 31,316.05 | 181,583.95 | - | 181,583.95 |
| 6. Other (Debt Service, Transfers) | 200,693.09 | (200,693.09) | - | (200,693.09) |
| 7. Technology | 825,569.08 | (29,721.08) | - | (29,721.08) |
| 8. Food Service | 563,100.60 | 47,079.40 | - | 47,079.40 |
| 2020 | 18,735,950.23 | 772,919.77 | N/A | 772,919.77 |
| Other Appropriations (69800) | 165,900.00 | (165,900.00) | - | (165,900.00) |
| 1. Instruction | 12,924,043.96 | 602,558.04 | - | 602,558.04 |
| 2. Administration and Health | 889,566.91 | 7,249.09 | - | 7,249.09 |
| 3. Pupil Transportation | 1,128,696.74 | 25,261.26 | - | 25,261.26 |
| 4. Operation and Maintenance | 1,898,063.13 | 405,882.87 | - | 405,882.87 |
| 5. Facilities | 24,443.20 | 17,646.80 | - | 17,646.80 |
| 6. Other (Debt Service, Transfers) | 164,557.33 | (164,557.33) | - | (164,557.33) |
| 7. Technology | 856,020.53 | (9,444.53) | - | (9,444.53) |
| 8. Food Service | 684,658.43 | 54,223.57 | - | 54,223.57 |
| 2021 | 19,019,981.26 | 1,021,091.74 | 564,384.95 | 456,706.79 |
| 1. Instruction | 12,706,338.19 | 1,005,048.81 | 77,876.84 | 927,171.97 |
| 2. Administration and Health | 1,179,292.72 | (18,504.72) | - | (18,504.72) |
| 3. Pupil Transportation | 1,062,309.44 | 211,108.56 | 978.00 | 210,130.56 |
| 4. Operation and Maintenance | 1,940,601.31 | (80,674.31) | 60,883.00 | (141,557.31) |
| 5. Facilities | 38,398.72 | 8,601.28 | - | 8,601.28 |
| 6. Other (Debt Service, Transfers) | 109,278.87 | (109,278.87) | - | (109,278.87) |
| 7. Technology | 1,361,413.79 | (234,763.79) | 424,647.11 | (659,410.90) |
| 8. Food Service | 622,348.22 | 239,554.78 | - | 239,554.78 |
| 2022 | 22,142,970.40 | 2,671,932.60 | 2,119,462.60 | 552,470.00 |
| 1. Instruction | 14,200,537.14 | 1,882,417.86 | 456,944.73 | 1,425,473.13 |
| 2. Administration and Health | 1,310,443.27 | (88,441.27) | 4,500.00 | (92,941.27) |
| 3. Pupil Transportation | 1,365,496.36 | 296,861.64 | 124,493.22 | 172,368.42 |
| 4. Operation and Maintenance | 2,142,373.71 | (196,784.71) | 198,473.47 | (395,258.18) |
| 5. Facilities | 937,575.45 | 609,424.55 | 901,722.00 | (292,297.45) |
| 6. Other (Debt Service, Transfers) | 14,722.43 | (14,722.43) | - | (14,722.43) |
| 7. Technology | 1,330,787.32 | 333,403.68 | 433,329.18 | (99,925.50) |
| 8. Food Service | 841,034.72 | (150,226.72) | - | (150,226.72) |
| 2023 | 24,608,295.45 | 2,626,815.55 | 2,417,054.62 | 209,760.93 |
| 1. Instruction | 16,118,749.04 | 549,285.96 | 835,977.06 | (286,691.10) |
| 2. Administration and Health | 1,362,237.54 | (139,822.54) | 2,281.40 | (142,103.94) |
| 3. Pupil Transportation | 1,637,614.01 | (186,817.01) | 143,003.00 | (329,820.01) |
| 4. Operation and Maintenance | 2,414,393.62 | 242,037.38 | 216,275.83 | 25,761.55 |
| 5. Facilities | 1,094,699.03 | 1,589,972.97 | 1,035,711.00 | 554,261.97 |
| 6. Other (Debt Service, Transfers) | 8,203.20 | (8,203.20) | - | (8,203.20) |
| 7. Technology | 1,295,524.89 | 472,884.11 | 183,806.33 | 289,077.78 |
| 8. Food Service | 676,874.12 | 107,477.88 | - | 107,477.88 |

Calculations Legend:

- **Recalculated Final School Budget with Modifications** = Original School Budget Approved by the County + Approved Budget Modifications (Source County System)
- **Tie Out Between County and School Annual Approved Budget** = Final Recorded School Budget per the County System - Recalculated Final School Budget with Modifications
- **Original Budget to Final Budget Variance** = Original School Budget Approved by the County - Final Budget per School System
- **Remaining Variance: System Budget Less Fund 5 (ESSER)** = Original Budget to Final Budget Variance - ESSER Budget per System
- **Remaining Variance less Non-ESSER Modifications per County System** = Remaining Variance: System Budget Less Fund 5 (ESSER) - Non-ESSER Modifications per County System
- **System Final Budget to ACFR Final Budget Variance** = Final Budget per School System - ACFR Final Budget
- **ACFR Final Budget to GL Expenditures Variance** = ACFR Final Budget - GL EXPENDITURES YEAR TO DATE
- **Remaining Variance: System Expenditures Less Fund 5 (ESSER)** = ACFR Final Budget to GL Expenditures Variance - ESSER Spent per System

In FY 2020 and FY 2021, the County appropriated a lump sum budget for both County and NCPS. In FY 2022 and FY 2023, the County approved the NCPS budget at the categorical level. On February 8th, 2024, the County further restricted budget authority and passed a resolution that requires budgets not to be exceeded at the category level (Instructional, Administration and Health, etc.). Had such restrictions been established for the FY 2022 budget, the following appropriations categories would have been exceeded: Administration and Health, Operation and Maintenance, Facilities, Other, Technology, and Food Service. Had such restrictions been established for the FY 2023 budget, the following appropriations categories would have been exceeded: Instruction, Administration and Health, Pupil Transportation, and Other. Please note that, as a result of surpluses in other categories, NCPS did not exceed its total appropriations from the County. We recommend that the both the County and NCPS prepare and enforce an updated policy around budget category monitoring.

The following graphic provides an analysis of stale dated County checks per fiscal year (FY) from FYs 2019-2023, highlighting the total amounts and number of stale dated checks over this period. A stale dated check is a check with a date that is greater than 180 days from the date of the reconciliation. The trends in the data suggest that, in addition to COVID recovery, inconsistent or inadequate procedures could be the direct cause of these outstanding checks findings. As of July of 2024, there are dollars outstanding that have not cleared the Northumberland bank accounts as follows. The Virginia Uniform Disposition of Unclaimed Property Act, 55.1-2524, indicates that after six months, these checks should be accounted for as liabilities, and after one year, this unclaimed property should be remitted to the Commonwealth.



The Various Vendors dashboard presents expenditure data from FYs 2019-2023, highlighting significant transactions categorized under “Various Vendors”. The aggregation of payments into a broad category obscures transparency, complicating financial oversight and accountability. Without identifying specific vendors, it’s challenging to trace where funds are allocated, potentially hiding inefficiencies or misuse of funds, and making it difficult to manage contracts and assess vendor performance effectively.

Various Vendors by FY



| Fiscal Year | Count of Various Vendor Checks per FY |
|--------------|---------------------------------------|
| FY19 | 136 |
| FY20 | 141 |
| FY21 | 2 |
| FY22 | 2 |
| FY23 | 2 |
| Total | 283 |

Detailed Scope of Work

The forensic audit encompassed a comprehensive review of key functions and financial activities across Northumberland County departments, including but not limited to revenue collection, budgeting, expenditure management, procurement, debt management, asset management, and payroll. Departments within Northumberland County that played an essential role in key functions and financial activities included Northumberland County Administrator, County Treasurer, Constitutional Officer, Social Services, and NCPS.

To gain a detail understanding of the key functions and financial activities, UHY conducted interviews and walkthroughs with key personnel from various County departments to include Northumberland County Administrator, County Treasurer, and NCPS. Refer to Appendix for names of persons interviewed.

Our scope of focus was FYs 2019-2023, we obtained key documentation, policies & procedures, and reviewed sampled transactions to detect any fraudulent activities, financial discrepancies, and irregularities within Northumberland County.

The audit evaluated compliance with applicable County, state, and federal laws as well as compliance with Generally Accepted Accounting Principles (GAAP). UHY offers findings and recommendations below to correct any identified nonstandard or irregular accounting practices. These findings and recommendations address the causes and consequences of any instances of criminal activity, illegal acts, or potentially fraudulent activity or civil liabilities.

The forensic financial audit conducted a thorough review and reconciliation of current and past fund practices to identify any abnormal financial activities during the FYs 2018-2019, 2019-2020, 2020-2021, 2021-2022, and 2022-2023. The audit covered various fund accounts, including but not limited to the General Fund, New Courts Facility, Capital Improvements, NCPS, School Board Payroll Direct Deposit, Northern Neck Regional Program, School Loan Fund, ARPA, N.C. Revolving Loan Fund, National Opioid Settlement Fund, Sanitary District, Northumberland Co. Sanitary District (Treasurer office), Light Street, N.C. Emergency Services, Callao Business District Revitalization, N.C. Cares Act, N.C. Cares Act Registrar, Tornado Relief Fund, 350 Anniversary, Primis Money Market account, N. Co. Fallen Hero Memorial Fund, United Bank, N. Co. Construction Bond, N. Co. Bond Garcia, Road Improvement Fund, N. Co. Construction Bond Eagle Cove, N. Co. Indian Point Road, N. Co. Social Services payroll, N. Co. Social Services, Fixed Assets, State Fund, and all bank accounts, including five investment accounts, five regular checking accounts, and any accounts that held independently by Constitutional Officers, Social Services, and NCPS.

Methodology

Our scope of focus was FY 2019 to FY 2023, however, in some instances we expanded our scope to ensure appropriate testing coverage. We reviewed processes and internal controls in the areas of accounts payable, with an emphasized focus on Amazon and credit card activity for NCPS, accounts receivable, capital asset procurement, cash management, budgeting, and various human resources functions, including but not limited to new hire and termination processes.

To gain an understanding of the control environment for the processes mentioned above, we conducted interviews and walkthroughs with key personnel in various Northumberland departments including Luttrell Tadlock (County Administrator), Mary Dodson (County Bookkeeper & Benefits Administrator), Morgan Wilson (Executive Assistant), Pam King (Treasurer), Gail Dungan (Deputy Treasurer), Candice Davenport (Deputy Treasurer), Holly Wargo (NCPS Superintendent), Tara Booth (NCPS Director of Finance), Amanda Clarke (NCPS Human Resource Specialist).

Testing criteria was determined by sampling documentation dictated by Northumberland's Personnel Policies and Regulations handbook, active procedures observed during auditor walkthroughs and specific risks identified. Refer to Appendix A for a comprehensive list of all documents reviewed.

To determine compliance with the above testing criteria, we reviewed key documentation around both quantitative and qualitative data from FYs 2019-2023 relevant to targeted accounting and human resource functions at Northumberland County, Treasurer, and NCPS.

Our methodology was formulated in compliance with the following legislation and standards:

- *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts
- Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)
- Single Audit Act Amendments of 1996 and the Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*
- AICPA Audit and Accounting Guide, *Government Auditing Standards and Single Audits*
- AICPA Audit and Accounting Guide for *Audits of State and Local Governments*
- Virginia Public Procurement Act, located in Chapter 43 (§2.2-4300 et. seq.) of Title 2.2 of the Code of Virginia
- Code of Virginia Chapter 3 §15.2-2506 – Budget appropriation laws and regulations
- Code of Virginia Section 15.2-1244 – Warrant Authority to Spend Funds
- Code of Virginia Section 15.2-1229 – Legality of Cash and Investments Maintained by County
- Code of Virginia Section 2.2-3115 – Conflicts of Interest
- Code of Virginia Section 15.2-2511 – Audit of Local Government Records, etc.; Auditor of Public Accounts; Audit of Shortages; Civil penalty
- Code of Virginia §15.2-2510 – Comparative Report of Local Government Revenues and Expenditures
- Code of Virginia Section 15.2-2507 – Amendment of Budget
- Code of Virginia Chapter 8 §22.1
- Uniform Financial Reporting Manual

We conducted the audit through the lens of the comprehensive Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework and its five components and 17 principles of internal

control. The COSO framework also divides internal control objectives into three categories: operations, reporting and compliance. The COSO framework provides an applied risk management approach to internal controls and aims to help organizations reduce fraud. Several organizations sponsor COSO, to include the American Institute of Certified Public Accountants (AICPA) and the Institute of Internal Auditors (IIA).



Control Environment: The control environment encompasses an organization’s leadership, mission, goals, and desired outcomes. It is the set of standards, processes, and structures that provide the foundation for carrying out internal control across an organization. During the audit, the control environment was assessed via discussions with management and employees. The 5 principles of this component are:

- An organization’s integrity and ethical values,
- Governance structures that allow a board of directors to carry out their oversight responsibilities,
- The assignment of responsibility and authority for implementation of mission-specific objectives,
- The process for attracting, developing, and retaining competent employees, and
- Accountability structures

According to the IIA, a control environment is the foundation on which an effective system of internal control is built and operated in a company that aims to:

- Achieve its strategic objectives
- Provide reliable financial reporting to internal and external stakeholders
- Operate its business efficiently and effectively
- Comply with all applicable laws and regulations
- Safeguard its assets

Risk Assessment: The process of identifying and assessing the risks to the achievement of objectives and determining how an organization will manage its risks. The 4 principles of this component are:

- Specify appropriate objectives,
- Identify and analyze risks,
- Evaluate fraud risks, and
- Identify and analyze changes that could significantly affect internal controls.

Control Activities: The control activities are the policies, procedures and internal controls put in place to mitigate risks to the achievement of objectives, particularly the risks identified in the risk assessment. The 3 principles of this component are:

- Select and develop control activities that mitigate risks,
- Select and develop technology controls, and
- Deploy control activities through policies and procedures.

Information and Communication: Management obtains or generates and uses relevant and quality information from internal and external sources to support the functioning of the internal control system. Stakeholders across an organization must be well-informed about such pertinent information. The 3 principles of this component are:

- Collect high-quality information to keep internal control functioning effectively,
- Promptly disseminate relevant information about internal controls,
- Provide external stakeholders with critical information about internal controls.

Monitoring Activities: Organizations must monitor their internal control system to be able to identify deficiencies and correct them to ensure continuous improvement of the system. The 2 principles of this component are:

- Conduct frequent, ongoing evaluations of internal controls to determine which ones work effectively and which require improvement,
- Inform leadership of gaps in internal control promptly to ensure the initiation of proper corrective action and remediation steps.

Evaluation of Policies & Procedures

Northumberland County Public Schools

Accounts Payable

We conducted three separate tests around the accounts payable function, covering disbursements made via Amazon online purchases, credit card purchases, and other material disbursements randomly selected and paid via ACH or check. Five disbursement batches were haphazardly selected for testing in each year both Amazon and Visa disbursements. The Amazon batches contained between 37 and 154 transactions between FYs 2019-2023. The Visa batches contained between 54 and 97 transactions between FYs 2019-2023. 20 additional batches not associated with Amazon or Visa disbursements that were haphazardly selected for additional testing with a focus on the largest cumulative disbursements in FYs 2019-2023. For these tests, we obtained purchase orders, archived checks, and invoices to validate proper retention and approval according to the NCPS' policies and procedures.

From FY 2019-2022, there was a consistent lack of proper document retention and evidence of disbursement approval for all disbursement activities (Visa, Amazon, and other material vendors). This included issues such as the lack of creation or proper approval of purchase orders and the lack of retention and/or approvals on invoice activity. However, in FY 2023, there was a significant decrease in findings, with the consistent creation and approval of purchase orders, although issues with invoice approvals remained.

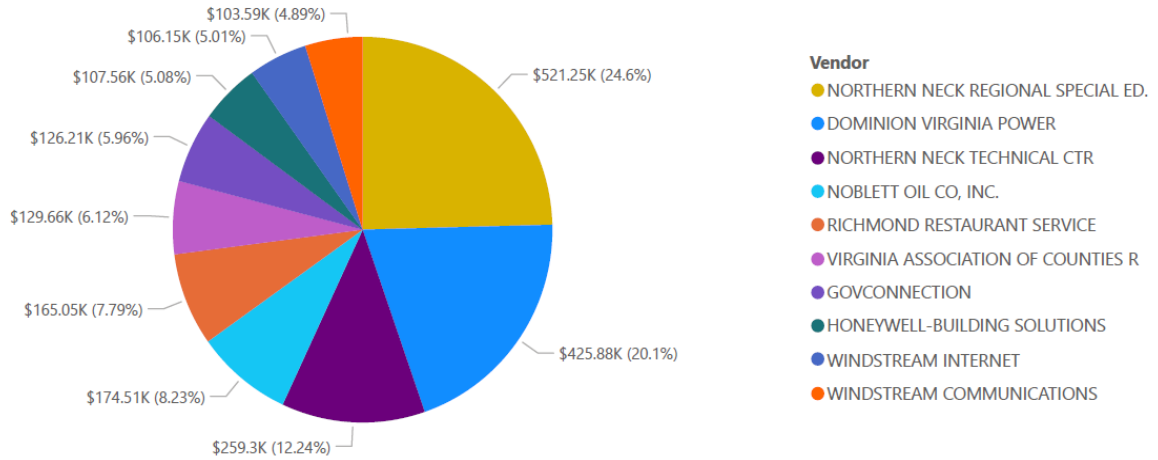
| Amazon Disbursements | | | | | |
|---|-------|-------|-------|--------|--------|
| Attribute Tested | FY19 | FY20 | FY21 | FY22 | FY23 |
| Purchase orders obtained lacked a review signature | 1/6 | 3/15 | 1/10 | 1/2 | n/e |
| Purchase orders obtained lacked an approval signature | 16/16 | 13/15 | 4/10 | 1/2 | n/e |
| Purchase order was not created | 12/37 | 3/15 | 20/94 | 22/154 | 2/140 |
| Purchase orders were not obtained | 6/21 | 20/35 | 56/66 | 96/98 | 6/117 |
| No approval signature on the invoice | 4/37 | 6/50 | 8/94 | 11/154 | 14/140 |
| PO does not tie with the disbursement | n/e | 1/15 | n/e | n/e | n/e |
| Invoice were not obtained | n/e | 1/50 | 11/94 | 1/154 | 7/140 |
| The disbursement does not seem reasonable | n/e | n/e | n/e | n/e | n/e |

| Additional Vendor Selections | | | | | |
|---|-------|-------|-------|-------|-------|
| Attribute Tested | FY19 | FY20 | FY21 | FY22 | FY23 |
| Purchase orders obtained lacked a review signature | 6/18 | 15/21 | 6/10 | 2/7 | n/e |
| Purchase orders obtained lacked an approval signature | 17/64 | 13/21 | 6/10 | 4/7 | 7/23 |
| Purchase order was not created | 17/64 | 9/57 | 27/79 | 40/82 | 15/55 |
| Purchase orders were not obtained | 10/18 | n/e | 6/16 | 10/15 | n/e |
| No approval signature on the invoice | 17/64 | 7/57 | 33/79 | 13/82 | 26/55 |
| PO does not tie with the disbursement | 8/18 | 1/26 | 3/10 | 1/10 | n/e |
| Invoice were not obtained | 28/64 | 9/57 | 31/79 | 17/82 | 3/55 |
| The disbursement does not seem reasonable | n/e | n/e | n/e | n/e | n/e |

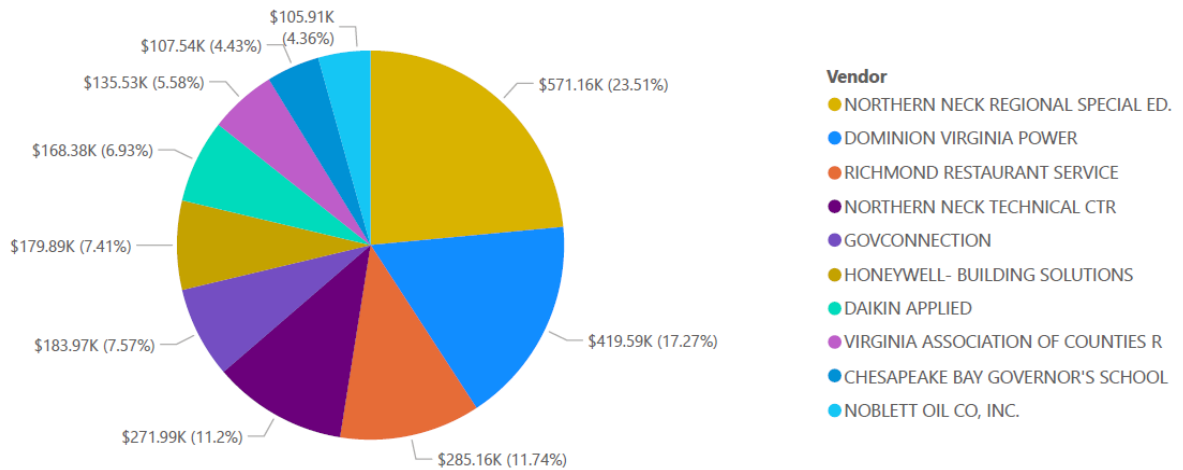
| Visa Disbursements | | | | | |
|---|-------|-------|-------|-------|-------|
| Attribute Tested | FY19 | FY20 | FY21 | FY22 | FY23 |
| Purchase orders obtained lacked a review signature | 13/21 | 14/37 | 4/21 | 4/14 | 13/43 |
| Purchase orders obtained lacked an approval signature | 20/21 | 21/37 | 7/21 | 4/14 | 1/43 |
| Purchase order was not created | 30/58 | 46/96 | 32/85 | 47/97 | 4/54 |
| Purchase orders were not obtained | 4/25 | 10/47 | 31/85 | 29/43 | 1/43 |
| No approval signature on the invoice | 18/34 | 27/67 | 35/69 | 31/71 | 18/34 |
| PO does not tie with the disbursement | n/e | n/e | n/e | 1/15 | 34/54 |
| Invoice were not obtained | 24/58 | 29/96 | 17/86 | 27/97 | n/e |
| The disbursement does not seem reasonable | 1/34 | 4/67 | 12/69 | 5/71 | 1/20 |

* n/e - No exceptions noted

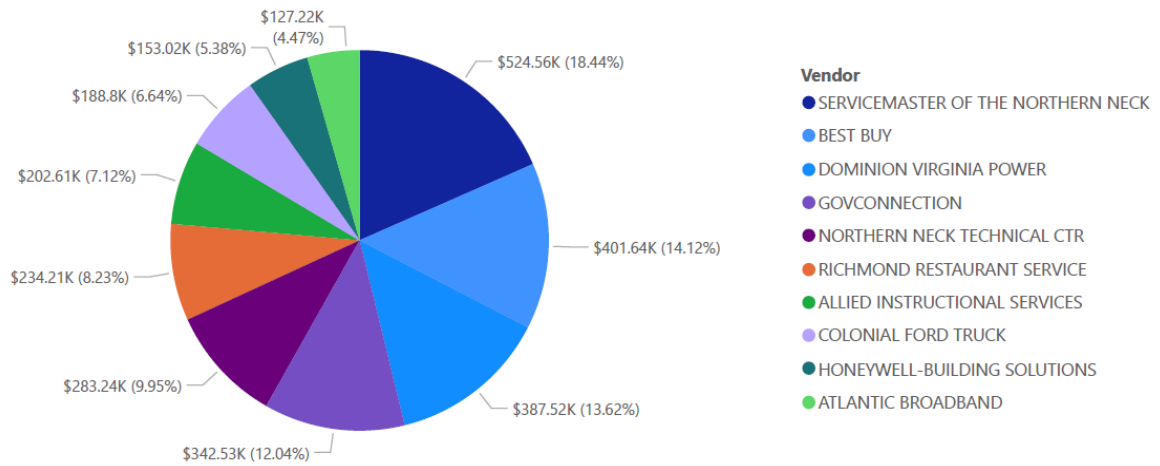
FY19 Top 10 Vendors (NCPS)



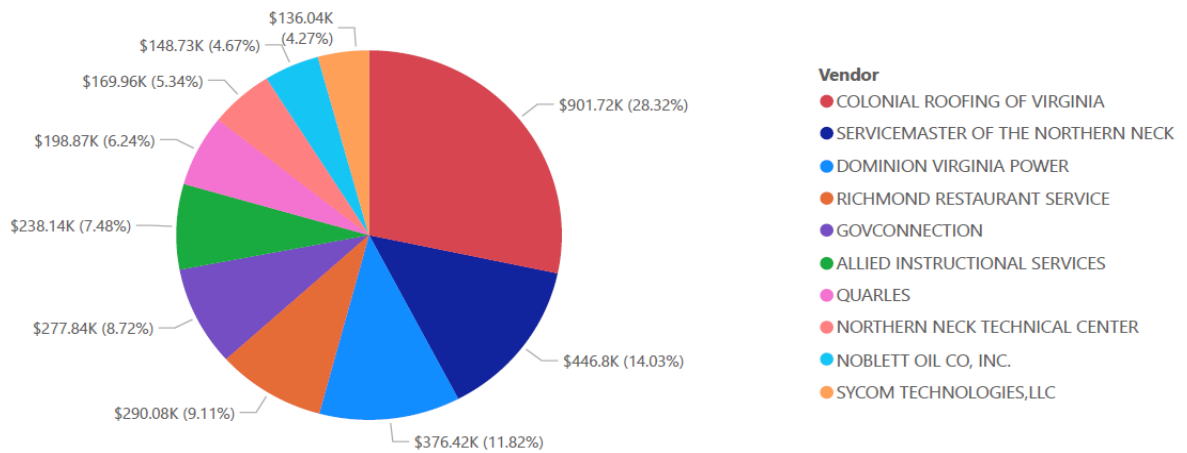
FY20 Top 10 Vendors (NCPS)



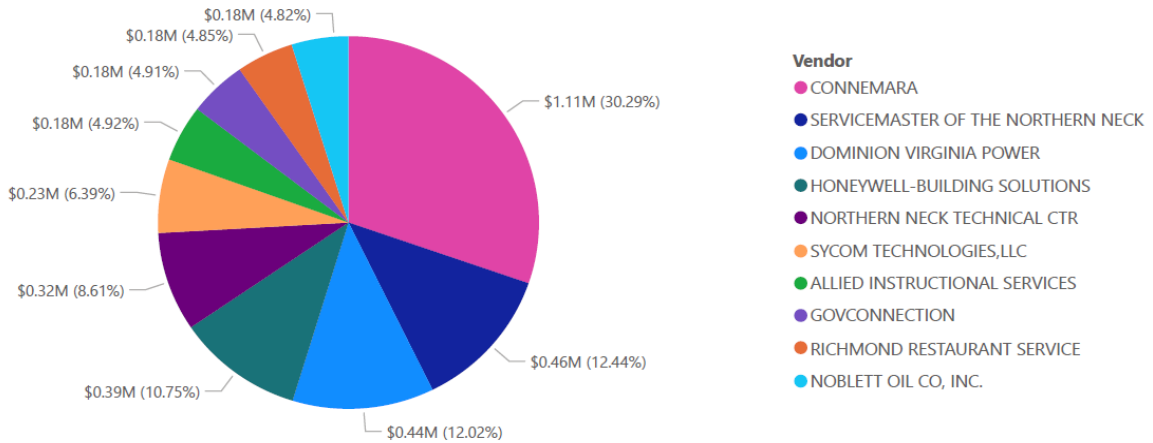
FY21 Top 10 Vendors (NCPS)



FY22 Top 10 Vendors (NCPS)



FY23 Top 10 Vendors (NCPS)



Fixed Assets – Additions

We tested the procurement process for capital assets purchased from FYS 2019-2023. 10 asset additions (32% of the population) were randomly selected for testing covering all years within scope. Testing included verifying proper board approval for asset acquisition and proper authorization on disbursements, depending on documented thresholds per the s NCPS' policies and procedures. NCPS also verified the accuracy of the fixed asset acquisition and disposition schedules submitted to the County for recording.

We found that there is no procedure in place to properly retain documentation of the Board's approval for procuring new assets. No bid packages were obtained as they are not retained to evidence that proper due diligence was taken by the NCPS to determine that the most advantageous bid was accepted. Additionally, two disbursements for assets did not show complete or proper approvals as required by the documented policies and procedures.

Payroll – New Hires

We tested the onboarding process for 20 randomly sampled employees hired for newly created positions and those hired to fill open positions. We obtained press releases, employment contracts, executed I-9s, and background check information, and verified that employees were accurately entered into PowerSchool after the employment contract was signed.

We determined that the NCPS lack a consistent and formal procedure for retaining new hire documentation. Testing revealed missing employment verification information, employment contracts, and completed background information. Although payment agreements are signed by employees, there are no formal offer letters signed by new hires, and no evidence of the date employees were enrolled in PowerSchool was obtained. Of the 20 samples selected, 13 Records of press release for the position was not obtained, 10 Executed I-9 were not retained, 18 VA State Police fingerprint records were not retained, 13 background check records were not retained and 6 signed employment agreements were not obtained.

Payroll – Terminations

We tested the termination process for seven randomly selected employees by obtaining resignation letters stating the date of termination, Yellow Forms (termination checklists), timely removal of the employee from PowerSchool, and final paystubs.

We found that the termination procedure lacks consistency. Not all termination checklists were complete for the employees tested, and none of the employees tested were removed from PowerSchool as employees. Although the NCPS evidenced the existence of the employee, they did not show the inactive status. Of the seven samples selected, 4 Yellow Forms were not obtained, none of the employees were confirmed to be removed from the system in a timely manner, 1 final paystub were not provided, 1 final paycheck was not issued timely after termination.

Payroll – Accuracy

We tested 26 total salaried employees, five in each fiscal year with one additional employee in FY 2023, to verify that the amount paid in salary per the payroll register matched the annual pay scales approved by the board. Hourly employees were reviewed for overtime payments.

We determined that for employees whose steps were provided by the payroll department, salaries materially matched. However, NCPS provided very little documentation to perform the test of accuracy. Due to time constraints, we noted some small variances between salaries paid per the pay register and a step not verified by payroll that is deemed reasonably likely. Of the 26 samples selected, 5 had variance existing between the stated salary scale and the salary posted in the employees annual check register, 4 did not have appropriate documentation provided to determine the accuracy of the employee's salary.

We recommend that NCPS formalize a procedure for tracking employee engagement. Binders should be kept for each employee, housing all relevant documentation during employment, including but not limited to approval of overtime and part-time work, transfer of duties during the year, and any other justification around variances in the employees' pay when compared to the approved pay scale.

County & Treasurer

We inquired about the existence of written policies and procedures beyond the applicable state laws and regulations. We determined that both Northumberland County and the Treasurer have established informal processes over various functions; however, formally documented policies and procedures do not exist to provide direction and ensure consistency for the following:

- Vendor Master File
- Budgeting
- Accounts Payable
- Payroll and Benefits
- Physical Asset Inventories
- Wire Transfers and Investments

Additionally, the following policies and procedures need to be updated to reflect current processes:

- Delinquent Collections Policy
- Daily Closeout Procedures

Recording Utility, Taxes, and Fees

We evaluated the current process for recording utility payments, taxes, and fees to ensure accuracy and completeness by verifying the Transaction Report and Daily Report from the system matched the Deposit Slip from the Bank Statement. Additionally, we assessed internal controls to prevent and detect errors or fraud in the recording process by reviewing the daily reconciliation process. The reconciliation process ensured all payments were correctly recorded in the financial system by using the Transaction Report and the Daily Report and reconciling to the Fund Report. This verification led to the conclusion that the Treasurer's Office has an effective process for reconciling daily taxes, and fees received and deposited.

For recording of utility, we obtained a list of all deposits recorded in QuickBooks between FYS 2019-2023 and reconciled to the deposits on the Bank Account Statements to ensure accuracy. The results revealed that prior to the implementation of the segregation of duties control in January of 2024, a total of 2 deposits were not recorded in QuickBooks but appeared in the Bank account as deposits totaling \$526.32. The finding is immaterial, and the implementation of the control mitigates the risk of inaccurate recording of utility deposits.

Abatement Refunds

We inspected the procedures for processing abatement refunds to verify proper authorization and documentation was obtained from the Commissioner of Revenue. We determined that a formal sign-off is not obtained, however the Abatement Report is provided from the Commissioner of Revenue as evidence of approval.

We examined the internal controls to ensure refunds are accurately calculated and issued to the correct recipients, and determined the abatement refund process is effective in identifying which abatement refunds need to be issued as checks and which refunds need to be applied to customer outstanding balances for personal taxes for other tax years; however, there is no review or approval process within the Treasurer's Office to ensure accurate issuance to customers. We notated one instance where the customer refund was shorted by \$5.40, which is immaterial. A recommendation to implement a review process to ensure accuracy of refund payments made is encouraged.

Delinquent Taxes

We assessed the process for identifying and collecting delinquent taxes and determined that there is no oversight over the process. A Delinquency List is generated from DaveWare and sent to the State, but no further action is performed by the Treasurer Office to ensure collection. A reconciliation of delinquent lists with state refunds to ensure outstanding debts are resolved is not being performed. It is recommended to implement a quarterly reconciliation of the delinquent list sent to the State and the refunds received from the state to ensure delinquent debts are satisfied.

To evaluate the effectiveness of policies for managing delinquent tax collections and payment agreements, we obtained signed payment agreements to validate that the payment listed on the agreement matched the system applied payment. We also obtained additional documentation from the Treasurer's Office for verbal agreements to ensure a payment agreement had been established between the customer based on notes on the customer's account printout. There was a population of 35 active payment plans and due to the small volume, 100% were selected for testing. We concluded that there is an ineffective customer payment plan process in place, whereas not all customers have a signed payment agreement on file. Customer payment plans are being agreed upon verbally, and there is no formal documentation of these agreements. Per the Treasurer's Office Delinquent Collections policy, a payment

agreement is signed by both the taxpayer(s) and a representative of the Treasurer's Office and captures bank and employment information.

Bank Wires

We assessed controls over the processing of intercompany and investment wires to ensure accuracy and authorization by verifying documentation and approvals for wire transfers. Testing revealed that there was a lack of dual authorizations on wire transfer requests. However, we confirmed that a system control is in place through the Bank's Online system the requires an approval from the Treasurer. Evidence was provided demonstrating that approval is required from the Treasurer to finalize a wire transfer.

Bank Reconciliations

We reviewed the bank reconciliation process to ensure that bank accounts were reconciled both timely and accurately, and assessed roles and responsibilities associated with reconciling accounts and reviewing reconciliations. Testing determined that bank account reconciliations are being performed manually, without a sign-off, date stamp or reviewer. We obtained outstanding check lists from the manual bank account reconciliations and determined that for 53 out of 60 months tested outstanding checks are outstanding remained outstanding for over 6 months. Obtained additional evidence to validate if outstanding checks remained outstanding over 12 months and concluded that for 75 out of 266 outstanding checks, checks had not been cleared or resolved. We concluded that the process needs to be strengthened to ensure accurate and timely bank account reconciliations, and resolution of outstanding items.

Accounts Payable

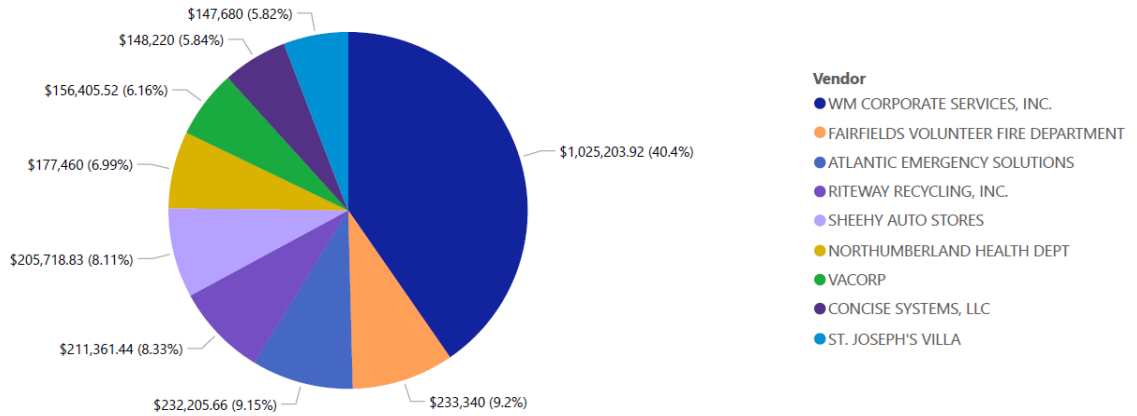
To evaluate the accounts payable process, we randomly selected invoices for FYS 2019-2023 from the top 20 vendors identified to review the invoice processing, and payment approval. We determined that only select invoices are processed by the County Administrator Office and are paid once the Department supervisor signs-off on the invoice and submits for payment. The County uses an internal coding coversheet, and a dual approval on payment registers to issue payment of invoices. We concluded the County's dual authorization for payments is operating effectively for invoices processed within the County Administrator's Office.

We assessed the controls in place to prevent duplicate payments and unauthorized disbursements by reviewing the system control for duplicate payments. We determined that while a system control exists to identify duplicate invoices, a risk still exists that a duplicate payment can be made due to the preparer's ability in the system to override the automated control.

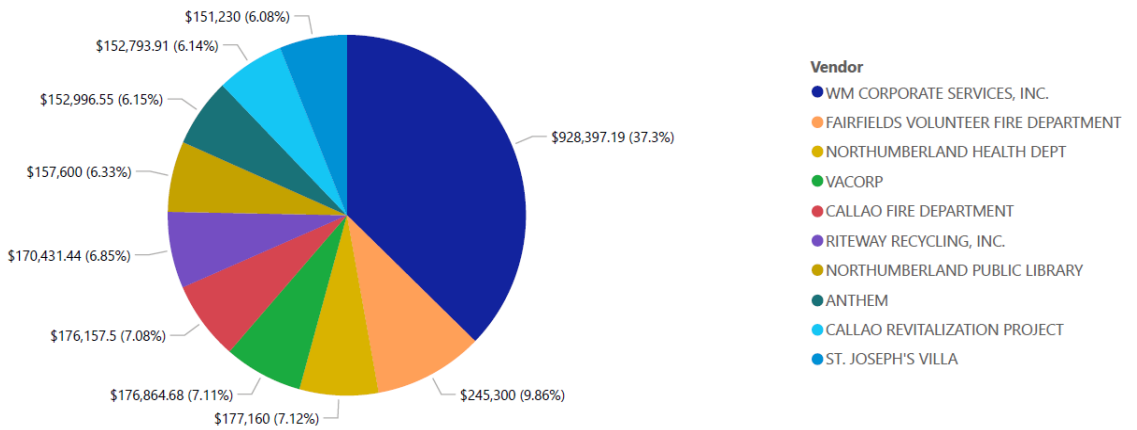
Additionally, we obtained a list of new vendors added in FY 2023 to verify a W-9 is on file and the vendor information is accurate in the system. The County does not have a robust process for maintaining accurate vendor information, as W-9s are not maintained for vendors or updated annually.

We concluded that the Accounts Payable process needs strengthen controls for duplicate payments and vendor file management.

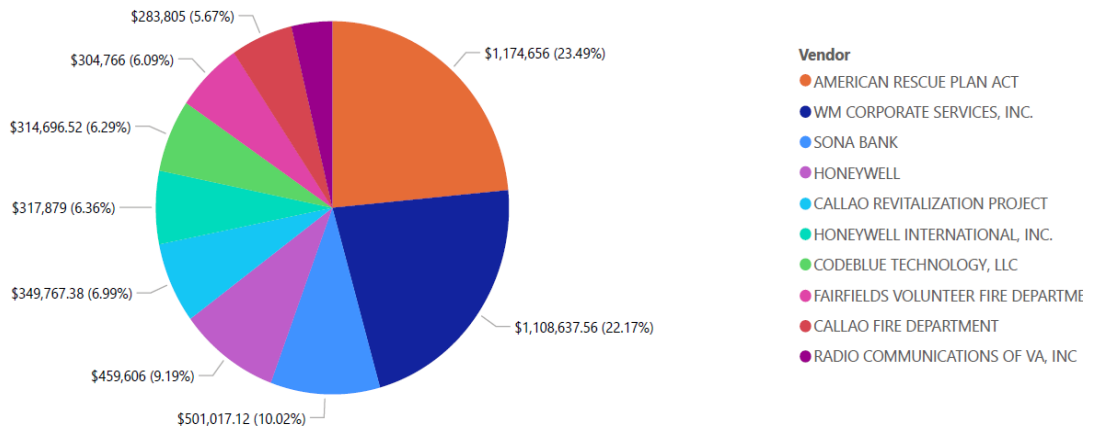
FY19 Top 10 Vendors (County)



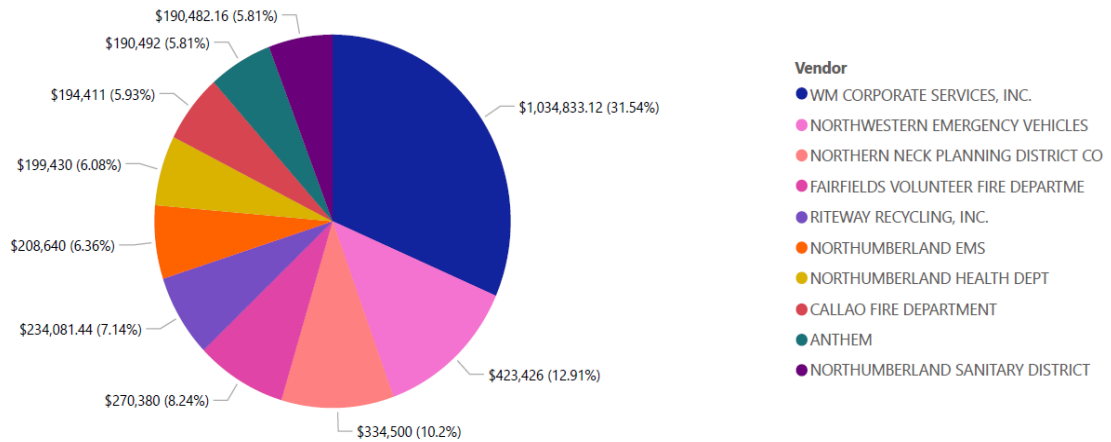
FY20 Top 10 Vendors (County)



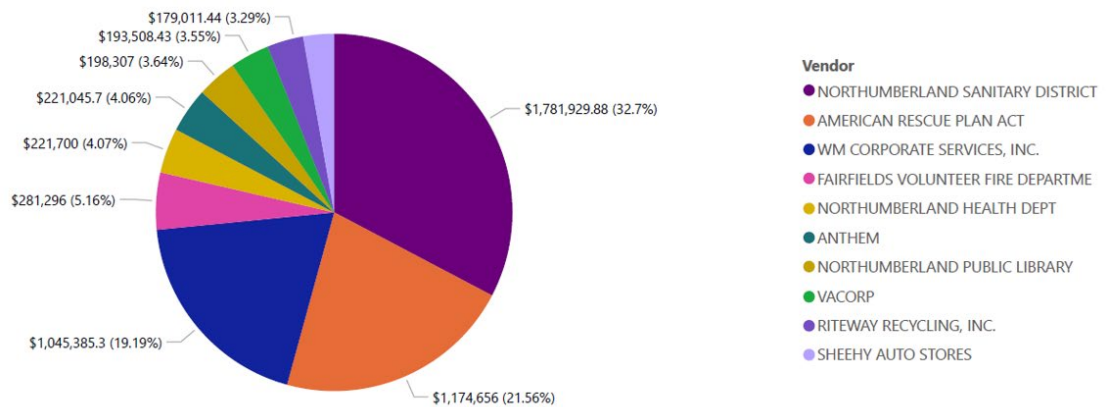
FY21 Top 10 Vendors (County)



FY22 Top 10 Vendors (County)



FY23 Top 10 Vendors (County)



Employee Payroll and Benefits

We tested the employee’s payroll and benefits process by reviewing the payroll process to ensure accurate and timely payment of employee salaries and benefits, assessing controls for approving salary increases and managing employee records, and evaluating the procedures for conducting annual reviews of part-time employees.

We concluded the new hire process is operating effectively as all new hires have a new hire letter, a new hire benefit checklist completed and signed, and added to the payroll system per the new hire letter. Additionally, the County has an effective manual payroll process that ensures accuracy of payroll disbursements through validation of payroll records and source documents.

The County's employee termination process is operating effectively as termination letters received by the County Administrator are processed timely in the system to terminate the employees. However, there were two part-time employees that were last paid in 2020 & 2021, but a termination email was received until 12/06/2023, and we determined the gap lies within the Constitutional Officers process.

Fixed Assets and Disposals

We assessed internal controls for recording acquisitions, disposals, and conducting physical asset inventories by examining documentation for acquisition and disposal of fixed assets, as well as the depreciation recorded for each asset. We randomly selected 15 fixed assets to validate acquisition documentation was obtained and accurately reflected in the system as well as recorded depreciation. We randomly selected 5 disposals to confirm Board approval was obtained for the disposal. However, it was determined inconsistent processes exists between County departments.

We examined the procedures for tracking and monitoring of fixed assets and determined the County relies on the annual insurance renewal certification and does not have a control in place.

The testing determined that the fixed asset process is operating effectively, however control gaps and inconsistencies in department requirements exists.

Budget & Adjustments

We selected one supplemental appropriation based on the example provided at the walkthrough to determine if supplemental appropriations or budget transfers are authorized and concluded the County has an effective process to ensure supplemental appropriations are authorized.

Credit Card Payments

We conducted two tests around the credit card payment process by analyzing the process for managing and recording credit card payments by assessing controls to prevent unauthorized transactions and ensure proper documentation and verifying the review and approval process for credit card payments.

We concluded the County has an effective credit card process to ensure transactions are valid and approved, as well as the credit card reconciliation process is operating effectively to ensure oversight exists over corporate credit card transactions.

Audit Results & Observations

Table 1 – Summary of Findings, NCPS

| Audit or Efficiency? | Condition | Recommendation | Management Response | Remediation Date |
|----------------------|---|--|---|------------------|
| Audit | <p>Additional analysis identified 357 accounts in the general ledger from FYs 2019-2023 that were not identified in NCPS' budget detail presented to the Board. Of the 357 accounts, 152 accounts had an appropriations balance.</p> <p>This does not include Fund 5, which is the Elementary and Secondary School Emergency Relief (ESSER) funds, because those funds are currently not included in the budget detail. Further analysis concludes there are accounts under separate general ledger account numbers with the correct budget amount uploaded but expended under a different general ledger number.</p> | <p>Improve on account management by performing a reconciliation between the budget account detail and the chart of accounts in RDA.</p> <p>Unreconciled account numbers should be removed so the NCPS general ledger detail correlates with the detail presented to the public.</p> <p>Proper maintenance procedures should be implemented to ensure any changes made to the accounts in RDA should be approved and updated in the budget.</p> | <p>NCPS has been performing a reconciliation between the budget account detail and the chart of accounts in RDA. NCPS will work to remove unreconciled account numbers and will create procedures to ensure approved changes are updated in the budget.</p> | FY2025 |
| Audit | <p>The general ledger reports provided for FYs 2019-2023 show consistent variances between the approved budget and the budget uploaded into the accounting system over all the years within scope. The variances, in part, are caused by</p> | <p>Perform a budget reconciliation after every instance in which approved budgets and modifications are uploaded to ensure that the budget updates in the system tie to each budget category in RDA. This will help ensure the approved budget is effectively managed.</p> | <p>NCPS will perform a budget reconciliation after every instance in which approved budgets and modifications are uploaded to ensure that the budget updates in the system tie to each budget category in RDA.</p> | FY2025 |

| Audit or Efficiency? | Condition | Recommendation | Management Response | Remediation Date |
|----------------------|--|---|--|------------------|
| | unrecorded budget modifications. The actual expenditures per the general ledger show a consistent bottom line underspending, but there are instances of overspending at the categorical level. | | | |
| Audit | Purchase Order (PO) creators can override RDA budget overage errors within NCPS. Budget category reclassification requests are not formalized or controlled. | Process and approve formal budget category reclassification requests at minimum quarterly. | When category reclassifications are needed, the Director of Finance makes the request to the Board of Supervisors. | FY 2024 |
| Audit | Prior to FY 2023, Accounts Payable had the ability to create and pay vendors within NCPS. | Strict policies around segregation of duties should be implemented and monitored. | Accounts Payable no longer creates new vendors. This is now completed by the Director of Finance to increase separation of duties. | 12/2023 |
| Audit | Within NCPS, negative balances exist in the budget categories. | Perform periodic, detailed reviews of budget variances. Controls should further reconcile the actual accounts with budget accounts and to address budget variances on a periodic basis. | The of Director Finance has regular meetings with the other Directors to review where they are with their annual budgets. | |
| Audit | Previous to FY23, credit cards were individually held by each NCPS Director, which increases the risk of misuse. | Credit cards should be kept locked until checked out by a user. A log should be kept tracking the user and what the card is used for when the card is used. The receipt should be compared to the logged use. | Credit cards are kept locked until checked out by a user. NCPS will keep a log of the date, the user, the card number, the reason for use, the location of use, and an amount or the PO number. The date the card is returned is logged with the signature of the employee to whom the card is returned. The logs are kept by card number, and they are kept locked as well. | FY 2023 |

| Audit or Efficiency? | Condition | Recommendation | Management Response | Remediation Date |
|----------------------|--|--|--|------------------|
| Audit | The Finance Director had sole authority to add or remove NCPS credit cards. | A second individual should be granted access to the online VISA account that acts as an approver of creating a new card. | NCPS reached out to VISA and were told they only require one signature from a Business Officer to open a new card. They do have a paper form that must be signed. NCPS asked if there was a way to require two signatures and they said no. We have three Business Officials listed on our account and NCPS can require two signatures on the form. NCPS brought this to the School Board at their June 10th, 2024, meeting, where they approved requiring two signatures. | FY 2023 |
| Audit | Procurement thresholds requiring bids are abnormally high, starting at \$30,000, within NCPS. | Reduce purchase procurement thresholds. Procurement guidelines should be consistent across NCPS or approved by the School Board. | At the June 2024 School Board meeting, small purchase procurement thresholds were reviewed and the following was added: Any purchase in an amount of \$2,500 or more should be approved by the School Board. All utilities will be excluded from this requirement: telecommunications, electric, fuels, etc. | 06/2024 |
| Audit | There is a lack of review and approval signatures on pay scale adjustments within NCPS. | There should be both a review and approval signature on the pay scale adjustments. | Beginning with contracts for FY 2025, NCPS will have two signatures to confirm review and approval. Previously, this process was in place, but NCPS was not formalizing it with signatures. | |
| Audit | While the controls around Accounts Payable processing appear to be designed effectively, when reviewing the operating effectiveness of the control, there were numerous circumstances between FYs 2019-2023 resulting in | Maintain an updated version of the policies of its Accounts Payable process and implement a procedure in which to follow to ensure that there is no deviation of the policy in place including enforcement of proper approvals to be made on all invoice and purchase order and to retain the approved documentation electronically. | From 2019 to present, NCPS has always had a minimum of two approval levels for purchase orders. For example, Directors and Principals may be the first level approvers and all purchase orders come to the Director of Finance for final approval. | |

| Audit or Efficiency? | Condition | Recommendation | Management Response | Remediation Date |
|----------------------|--|---|--|------------------|
| | <p>exception in 100% of the following attributes tested:</p> <p>Of the purchase orders obtained, we noted many did not have appropriate signatures included, many payments tested did not have evidence that a purchase order created for the disbursement, many of the invoices lacked proper approvals, many of the itemized invoices were not obtained, many of the purchase orders identified in the archived check were listed in the check detail but not obtained and instances if payments seemed unreasonable when compared to the documented policies.</p> | | <p>In FY 2022, NCPS worked with RDA to include the electronic approvals on the purchase orders.</p> <p>During FY 2025, NCPS will work on updating the policies of the Accounts Payable Process and will work on a policy to retain the approved documentation electronically.</p> <p>The employee who was responsible for Accounts Payable is no longer employed. The new Accounts Payable Finance Specialist and the Director of Finance have implemented new practices and procedures to address the area mentioned and the Director of Finance is monitoring.</p> | |
| Audit | <p>While the controls around Fixed Asset processing appear to be designed effectively, when reviewing the operating effectiveness of the control, there were numerous circumstances between FYS 2019-2023 resulting in exception in 100% of the following attributes tested:</p> <p>Board approvals for fixed asset purchases were not obtained, not all support requested to validate the purchase of the</p> | <p>Maintain an updated version of the policies of the Fixed Asset process and implement a procedure in which to follow to ensure that there is no deviation of the policy in place including enforcement of proper approvals to be made on all purchases and the retention of bids.</p> | <p>From 2019 onward, the School Board has always approved fixed asset purchases. (HVAC, Boiler replacements, new buildings, etc.) The Superintendent and Director of Operations and Maintenance regularly presented on the purchase of fixed assets to the Board of Supervisors and County Administrator at monthly meetings. School Board legal counsel has been involved in fixed asset purchases, as examples evidenced.</p> | |

| Audit or Efficiency? | Condition | Recommendation | Management Response | Remediation Date |
|----------------------|---|---|--|------------------|
| | <p>asset was obtained, no bids were provided for assets over specified thresholds, not all schedules of fixed assets and deletions were obtained.</p> | | | |
| <p>Audit</p> | <p>We determined that NCPS lacks a consistent and formal procedure for retaining new hire documentation. Testing revealed missing employment verification information, employment contracts, completed background information, and no evidence of the date employees were enrolled in PowerSchool was obtained.</p> | <p>Formalize and enforce onboarding procedures, including maintaining an onboarding package for all employees. Employment records should be uploaded and stored online or in PowerSchool.</p> | <p>From 2019 onward, the Human Resources Specialist used paper procedures for new hire documentation. Beginning in FY 2025, NCPS will be using an electronic platform to maintain each employee's personnel file to include contracts, background information, and employment verification.</p> <p>PowerSchool is a student information platform which is not related to the Finance Department. Employees are enrolled in PowerSchool to access student grades, attendance, and demographic information. The employee's employment records are not stored in PowerSchool. PowerSchool has nothing to do with their employment records. When an employee is hired the PowerSchool super user adds the employee to the PowerSchool platform. When the employee is terminated, the employee is made inactive, but not deleted from the PowerSchool platform.</p> | |
| <p>Audit</p> | <p>We found that the termination procedure lacks consistency. Not all termination checklists were complete for the employees tested, and none of the employees tested were removed from PowerSchool as</p> | <p>Formalize a procedure for tracking employee engagement. Binders should be kept for each employee, housing all relevant documentation during employment, including but not limited to the employee's resignation letter, Yellow Form, and final paycheck. Documentation</p> | <p>Regarding terminations, the School Board consistently approves terminations at Special Called Meetings. The School Board is also informed of resignations at monthly meetings. Each employee has a paper folder and all pertinent information and documentation will</p> | |

| Audit or Efficiency? | Condition | Recommendation | Management Response | Remediation Date |
|----------------------|---|--|--|------------------|
| | <p>employees. Although NCPS evidenced the existence of the employee, they did not show the inactive status.</p> | <p>should be stored securely, and employees should be promptly removed from PowerSchool after termination</p> | <p>be kept in that folder, which is kept in a file cabinet in a locked office.</p> <p>PowerSchool is a student information platform, which is not related to the Finance Department. Employees are enrolled in PowerSchool to access student grades, attendance, and demographic information. The employee's employment records are not stored in PowerSchool. PowerSchool has nothing to do with their employment records. When an employee is hired the PowerSchool super user adds the employee to the PowerSchool platform. When the employee is terminated, the employee is made inactive, but not deleted from the PowerSchool platform.</p> | |
| <p>Audit</p> | <p>Very little documentation to perform the test of accuracy was provided. Due to time constraints, we noted some small variances between salaries paid per the pay register and a step not verified by payroll that is deemed reasonably likely.</p> | <p>Formalize a procedure for tracking employee engagement. Binders should be kept for each employee, housing all relevant documentation during employment, including but not limited to approval of overtime and part-time work, transfer of duties during the year, and any other justification around variances in the employees' pay when compared to the approved pay scale.</p> | <p>NCPS does not agree with this test of accuracy for 2019 onward.</p> | |
| <p>Efficiency</p> | <p>Although payment agreements are signed by employees, there are no formal offer letters signed by new hires</p> | <p>An offer letter is formalized and presented to new hires stating at a minimum the job position and responsibilities.</p> | <p>The HR Specialist has formalized an offer letter for new employees.</p> | <p>FY 2024</p> |

| Audit or Efficiency? | Condition | Recommendation | Management Response | Remediation Date |
|----------------------|---|---|--|------------------|
| Efficiency | The Finance and Account Procedures document and the Finance Practices document are dated and have not received a current sufficient review. There are multiple handwritten revisions in the Finance and Accounting Procedures document, as well as the Finance Procedures document. | Policies and procedures should be regularly maintained and updated when necessary. | NCPS will complete a review of the Finance and Accounting Procedures document in FY 2025. | |
| Efficiency | There is no formalized succession planning process in place for NCPS' critical roles and no documentation regarding knowledge transfer. | Develop a formal succession planning policy outlining roles, responsibilities, and timelines for succession planning. Additionally, implement knowledge transfer and job shadowing. | This item was addressed in FY 2024. The NCPS Finance Team is comprised of three employees. NCPS has been cross-training and shadowing to increase the knowledge base of the team members. | |
| Efficiency | Within NCPS, there are no formal onboarding and ongoing training facilitations, including systematic. Transfer of knowledge is primarily dependent on in house ad hoc and undocumented training. | Implement onboarding and ongoing training, including RDA, to improve efficiency, accuracy and improve the quality of data processed through the system. | The School Board implements formal onboarding and ongoing training facilitations. The Finance Director is a member of the Virginia Association of School Business Officials (VASBO). The School Board has authorized mentors for the Finance Team. For FY 2024, the School Board approved unlimited RDA assistance. | |
| Efficiency | NCPS outsourced invoice processing during FY 2022-2023, increasing the risk of delinquent payments and unrecorded voids. | Review transactions to ensure all voided transactions are recorded and late fees are recorded correctly and not reflected as a large variance in utility expenditures. | All voided transactions are recorded monthly, and NCPS does not incur late fees. While the School Board may approve outsourcing invoice processing, the School Board chose to end their contract with the third-party invoice processing vendor. Invoice processing is conducted by Accounts Payable and the Director of Finance. | FY 2024 |

| Audit or Efficiency? | Condition | Recommendation | Management Response | Remediation Date |
|----------------------|--|--|---|------------------|
| Efficiency | Blanket POs are used to encumber NCPS estimated expenditures over the year, which requires true ups that may not be in line with the budget. | Streamline the accounting process to encumber transactions as invoices are processed, rather than creating a blanket PO to ensure accuracy at any point in time. | NCPS will discuss this with their current County auditor. | |
| Efficiency | The NCPS line-by-line account budgets are uploaded to Boarddocs, and emailed and presented to the School Board, but not presented to the Board of Supervisors. | Present a high-level budget variance report that addresses major items for which categories are over budget year-over-year. | The report is currently emailed to the Board of Supervisors and all School Board Meetings are public. They occur the second Monday of each month. During FY 2024 there was also a Joint Finance Committee which included two School Board Members, two Board of Supervisors members, two community members, the County Administrator, the School Superintendent, and the Director of Finance. Multiple meetings were held and there were numerous opportunities for budget questions to be asked. In addition, there were Quarterly Joint Board meetings where budget questions could be asked. | |
| Efficiency | There is a lack of understanding around market pricing for annually contracted work within NCPS. | Perform timely market outreach and research, as well as communicate with contractors to negotiate prices and best and final offer. Potentially team with the County to get the best use of bulk pricing. | The School Board follows the Public Procurement Act as governed by state law. NCPS puts out Requests for Proposals (RFP), Requests for Bids (RFB), and Requests for Quotes (RFQ) with assistance of the School Board legal counsel. All of the responses are reviewed by the school board in order to approve the most cost-effective contracted services. | |
| Efficiency | The Schedule of Fixed Asset Additions and Deletions provided to the County upon | Request the County bookkeeper to sign the Schedule of Fixed Asset and Deletions to confirm the proper hand-off of the | Moving forward, the school will request the County bookkeeper to sign the Schedule of Fixed Asset and Deletions. Shouldn't this be a | FY 2024 |

| Audit or Efficiency? | Condition | Recommendation | Management Response | Remediation Date |
|----------------------|--|---|---|------------------|
| | the purchase of new capital assets are not signed by the County upon receipt | capital asset information and proper recording. The Signed copy should be retained by both the County and NCPS electronically. It should be NCPS' responsibility to retain a copy of the approvals. | finding for the County and not us. This should not even be an efficiency for the schools. | |

Table 2 – Summary of Findings, County & Treasurer

| Audit or Efficiency? | Condition | Recommendation | Management Response | Remediation Date |
|----------------------|--|---|---|------------------|
| Audit | Customer payment plans are being agreed upon verbally, and there is no formal documentation of these agreements. Per the Treasurer's Office Delinquent Collections policy, a payment agreement is signed by both the taxpayer(s) and a representative of the Treasurer's Office and captures bank and employment information. Non-compliance with established Delinquent Collections Policy for taxpayers that are unable to physically go into the Treasurer's Office to sign a payment agreement. The adherence to policy leads to several risks, including misunderstandings or disputes over payment terms, difficulties in tracking and managing payments, and legal vulnerabilities if customers fail to adhere to the agreed terms. | Update the Delinquent Collections Policy to remove verbal payment agreements and document them fully to ensure County and Customer agree to the payment plan. | If the customer makes a payment plan in person, an agreement is completed. If the payment plan is made over the phone, a bill is printed, the amount of plan is written on the bill, the account is flagged with payment plan, a note is made in DaveWare, the printed bill with payment plan amount is files in the payment plan folder. Samples of verbal agreements were sent. Some of these plans are 20+ years old, and there is nothing. No legal action is taken if payment plans aren't kept, they are just removed. If a payment is made monthly, whether it is amount agreed upon or not, the customer is kept on a payment plan. | |

| Audit or Efficiency? | Condition | Recommendation | Management Response | Remediation Date |
|----------------------|---|--|--|------------------|
| Audit | <p>The Treasurer's Office does not have a control in place to ensure outstanding checks are resolved in a timely manner. For 60 months reviewed, a total of 53 months had outstanding checks over the 6-month mark and for 3 months no data was provided to We. Additionally, we tested to ensure outstanding checks had cleared within 12 months and identified 75 checks that had not been cleared or resolved within 12 months. The Treasurer's Office had 266 outstanding checks not clear within 6 months and 75 outstanding checks not clear within 12 months of issuance. Checks issued are valid for 180 days from issuance, best practice is to ensure outstanding checks clear within the 6-month period to avoid reissuance. Lack of a consistent process for monitoring and addressing outstanding checks. Untimely clearing of outstanding checks results in inaccurate financial records leading to potential misstatements in financial reports and increases the risk of unclaimed property issues.</p> | <p>We recommend that the County implement a quarterly monitoring process for tracking outstanding checks to ensure timely follow-up actions are taken to clear outstanding checks.</p> | <p>The County has currently been using one year, but will change to six months. Additionally, the County will send a list to each office every quarter. The County can only take off the side for which paperwork exists. Finally, the County and NCPS are transitioning to more payments by Automated Clearing House (ACH), instead of check.</p> | FY 2025 |
| Audit | <p>The County does have desktop processing procedures for payroll; however, a comprehensive payroll policy is not in place to outline the payroll process, approval, and responsibilities for new hire and terminated employees. As a result, while the County terminates employees upon resignation, there is no annual</p> | <p>We recommend that the County document policies that clearly outline the payroll and benefits process to include annual review and updates.</p> | <p>While there are processes in place, and to ensure succession planning, policy and procedures will be examined for the payroll process, approval, and responsibilities for any new hire and terminated employee. Any current checklists being utilized will be included in this policy. This policy will also include</p> | |

| Audit or Efficiency? | Condition | Recommendation | Management Response | Remediation Date |
|----------------------|--|--|--|------------------|
| | <p>review by departments that would identify part-time or contracted resources no longer required. Upon testing, 2 of 5 terminated employees in FY 2023, the employee/contractor was terminated 2 to 3 years after the last paid date.</p> | | <p>procedures for Department Heads to do an annual review of their part time or as needed employees and provide such listing to Human Resources.</p> | |
| Audit | <p>The Treasurer's Office has an abatement refund process where the Commissioner of Revenue authorization is not evidenced by an official sign-off, instead an Abatement report is provided to the Treasurer's Office. We obtained additional evidence for each refund, and determined that the abatement refund process is effective in identifying which abatement refunds need to be issued as checks and which refunds need to be applied to customer outstanding balances for personal taxes for other tax years; however, we notated one instance where the customer refund was shorted by \$5.40, which is immaterial but should be issued immediately to the customer.</p> | <p>The County should issue the \$5.40 refund to the customer immediately. Then, we recommend that the County implement a review process where the Treasurer reviews all abatement refunds and approves customer refund checks or payments applied to ensure accuracy of payments made.</p> | <p>After this being pointed out to us, The Treasurer's Office will now have the Deputy Treasurer process the refunds and the Treasurer will sign the refund checks and abatement report.</p> | FY 2025 |
| Audit | <p>The Treasurer Office has implemented a control as of January 2024, where segregation of duties exists between the person recording cash and the person depositing cash. The audit revealed that prior to the implementation of the control, a total of two deposits were not recorded in QuickBooks but appeared in the Bank account as deposits totaling \$526.32.</p> | <p>The finding is immaterial, and We recommend that the person depositing the funds validate and evidence their review to ensure accuracy.</p> | <p>The customer's \$56 payment was returned 12/14/2020 and resubmitted 1/5/2021. \$416.35 bank error (should have been deposited into our main account not sanitary account).</p> | FY 2025 |

| Audit or Efficiency? | Condition | Recommendation | Management Response | Remediation Date |
|----------------------|---|---|---|------------------|
| Efficiency | Journal entries are not prepared with specific descriptions so that the transactions can be readily identified. | We recommend to consult with the technology vendor to allow additional text controls and validations. | The change has been made with the technology vendor to expand the field to 60 characters to allow for additional details. | 4/22/2024 |
| Efficiency | There is no formalized succession planning process in place for critical roles and no documentation regarding knowledge transfer. | Develop a formal succession planning policy outlining roles, responsibilities, and timelines for succession planning. Additionally, implement knowledge transfer and job shadowing. | The County has previously evaluated this situation and agrees that such key roles need to have succession planning in place. While planning has occurred for some positions, there are still some key positions that need to be addressed. The FY 2025 Proposed Budget includes additional positions to continue to address this situation. The County will also begin the process of outlining such key roles, responsibilities, training, & timelines. If the positions are approved by the Board of Supervisors in the FY 2025 Budget, the County plans to have an individual in place by December 2024. | |
| Efficiency | There are no formal onboarding and ongoing training facilitations, including systematic. Transfer of knowledge is primarily dependent on in house ad hoc and undocumented training. | Implement onboarding and ongoing training, including RDA, to improve efficiency, accuracy and improve the quality of data processed through the system. | The County previously implemented a policy that all training/certifications are to be kept updated and submitted annually to the County Administrator's Office to ensure those that are required to be certified are up to date and all training/certifications are current. The County will also identify training needs for other positions and will implement such training as part of the onboarding and reoccurring training process. | |

| Audit or Efficiency? | Condition | Recommendation | Management Response | Remediation Date |
|----------------------|--|--|--|------------------|
| Efficiency | Invoice recording and processing is handled by one employee for all departments within the County. | Implement automated invoice processing solutions to streamline workflows, reduce errors, and automate approval routing. | The County has an additional position in the FY 2025 Budget to assist the one employee handling invoice recording and processing. If the position is approved in the FY 2025 Budget, one of the duties for the individual filling the new position would be to process invoices with approval by the current individual. If the position is approved, this will be implemented by December 2024. | |
| Efficiency | The County has no physical inventory of assets in place. | Document a procedure for physical asset inventories and implement a regular cadence to ensure assets are properly maintained and monitored. | The physical asset inventory is examined annually during the insurance renewal process; however, policies and procedures will be examined further to ensure the maintenance of such listing. The County will also examine the Brightly software to assist in maintaining this list. | |
| Efficiency | Inconsistencies exist between County departments requiring Board approval for asset disposal. | Implement and document a consistent asset disposal process throughout the County departments that outlines asset disposal approval, documentation requirements, and exception process. | While County departments obtain Board approval for the disposal of assets, a policy and procedure will be implemented to include Constitutional Offices to follow the same process. | |
| Efficiency | The County has a budget adjustment policy but there is no policy or procedure that clearly outlines the budgeting process. | Document and implement a Budgeting Policy or procedure that outlines deadlines, reviews & approvals, and publishing of budget documents. | The County follows State budget processes. However, the County has certain deadlines required of departments and outside agencies to provide their budget to the County for consideration. A Budgeting Policy/Procedure will be examined further which will assist in outlining timeframes for scheduling | |

| Audit or Efficiency? | Condition | Recommendation | Management Response | Remediation Date |
|----------------------|--|--|---|------------------|
| | | | budget work sessions and public hearings to ensure a timely budget adoption. | |
| Efficiency | Blank checks are currently stored in a locked office with access provided to the Bookkeeper and County Administrator. | Blank checks should be stored in a locked drawer with an associated manual log when access is provided. | While access to the checks is restricted, the County will investigate obtaining another file cabinet with a lock. We will also look further into a manual access log. The checks are also reviewed by the Bookkeeper and the Treasurer for the sequence in the numbering of the checks. The Bookkeeper records all voided or destroyed checks and provides such record to the Treasurer. | |
| Efficiency | The manual leave sheet provided does not accurately reflect what is in the system. The County has an effective manual process in place to ensure accurate leave balances are recorded in the system. However, two instances were noted where an employee's leave was approved by the Department supervisor and the employee did not have enough leave to take. | Implement a leave management system that will allow department supervisors to track leave balances in real time to ensure employees are not taking leave they have not earned. | Several departments (including the one that was evaluated under this situation) in the County have a leave management system being used in real time, it is also processed through the RDA Accounting System. A spreadsheet is used to double-check the leave, which is provided to the Department Heads each month to reflect the current leave availability. The County will consult with Department Heads to ensure that they are verifying time being requested prior to authorizing leave. | |
| Efficiency | The County's manual duplicate payment process is effective in identifying duplicate invoices entered in the RDA Accounting System; however, duplicate invoices numbers are still processed and paid. Although a system control exists to identify duplicate invoices, a risk still exists that a duplicate payment can be | Implement an automated system control that requires a management override for duplicate invoices processed. Additionally, the County should implement an invoice numbering system for recurring invoices that is unique such as MMYYYY, instead of using | All duplicate invoices that are flagged are researched to determine how to proceed in processing. All invoices with account numbers (such as utility bills, local accounts, etc.) are now being processed with the invoice numbering suggestion using the month and year which was implemented June 2024. We will also | |

| Audit or Efficiency? | Condition | Recommendation | Management Response | Remediation Date |
|----------------------|--|---|---|------------------|
| | made due to the preparer's ability in the system to override the automated control. | account numbers to prevent duplicate invoice numbering in the future. | discuss this matter further with RDA on what other measures can be implemented to provide manager overrides if needed. | |
| Efficiency | The Treasurer's office does not secure the vault until the end of day. | Implement a vault sign-in sheet or grant restricted access to the vault. | No one other than Treasurer's Office staff accesses the vault. With a secure County employees may access the postal area and only occasionally do they enter the Treasurer's office. | |
| Efficiency | The Treasurer's Office has daily closeout procedures that are vague and do not provide detail on roles and responsibilities. | Revise the current procedures to clearly define and outline duties and responsibilities of the staff and incorporate change management. | All Treasurer's Office staff have the same roles and responsibilities for daily closeout. They print a daily report from DaveWare to PDF, total the cash/checks/credit cards, match that total to daily report, record this on daily sheet, write the deposit slip for cash, put the deposit in bank bag, run checks through remote deposit, put credit card receipts next to credit card machine, file receipts, put the remote deposit in vault, and log state work on state sheet. | |
| Efficiency | Treasurer's Office generates a system Delinquency List to send to the State of Delinquent taxes no oversight exists. | Implement a quarterly reconciliation of the delinquent list sent to the State and the refunds received from the state to ensure delinquent debts are satisfied. | A delinquent list is generated from DaveWare that and employee reviews and submits to the state. This list is sent once, not repeatedly. When the state gets a match, they notify the Treasurer's Department, who checks to see if the taxpayer is still delinquent. If the Treasurer's office does need that money, the state sends it within 30-60 days. If the Treasurer's office does not need it, the state releases the money back to the taxpayer. Just because a delinquent list is | |

| Audit or Efficiency? | Condition | Recommendation | Management Response | Remediation Date |
|----------------------|---|---|---|------------------|
| | | | submitted, it does not mean the Treasurer’s office receives money for everyone on the list. | |
| Efficiency | The Treasurer’s Office has a monthly bank account reconciliation process that lacks a reviewer. | Implement a bank account reconciliation reviewer to ensure oversight of bank reconciliation process. | Starting with the June bank statement, the Treasurer’s office will review and sign off on the monthly bank account reconciliation. | |
| Efficiency | The Treasurer’s Office has a monthly bank account reconciliation process that is done manually, and checks are recorded into the financial system as part of this process. | Implement a system generated Reconciliation Report rather than having to do it manually which leaves room for user errors, and ensure checks are entered into the financial system at the time of issuance. | The Treasurer’s Office is currently looking into new software. | |
| Efficiency | The Treasurer’s Office has inconsistent processes for approval of intercompany and investment wires. | Document a comprehensive Wire Transfer and Investment Policy that details procedures for requesting, processing, approving intercompany and investment wires. | Intercompany – The Treasurer’s Office receives the wire, then requests additional approvals from the County Administrator and Treasurer, after which the Treasurer approves the transaction and the Deputy Treasurer enters it. Investment – The Treasurer’s Office will start requesting the Treasurer to sign off before the Deputy Treasurer processes the transaction. | |
| Efficiency | We conducted a year over year analysis of employees with a salary to validate raises are aligned to yearly raise schedule. We noted over the FYS 2019-2023 period, 136 employees had salary increases of over 5% and the salary increases were justified. While the County’s adjustments to payroll | Salary increases of over 5% for Constitutional Officers be presented and approved by the Board. | Annual salary increases are presented to the Board during their consideration of the budget. For any salary adjustment to an employee’s salary outside of the budget discussion, the matter will be brought to the Board of Supervisors. Further discussions with the Board will be needed | |

| Audit or Efficiency? | Condition | Recommendation | Management Response | Remediation Date |
|----------------------|--|----------------|---|------------------|
| | <p>records process is effective, we did observe that, for Constitutional Officers, the salary increase practices lack full transparency and need a more structured and equitable approach to salary adjustments.</p> | | <p>as to how they may wish to handle the specific cases and at what thresholds they may wish to consider such salary adjustments.</p> | |

Recommendations

Based on our audit results and observations, we recommend the following based on audit functional area.

Northumberland County Public Schools

NCPS has financial management processes and controls in place, but lack compliance and enforcement of documented policies and procedures. The lack of compliance results in issues around document retention and proper authorization of key accounting and human resources functions. The recommendations focus on improving financial management controls to ensure consistency in processes and promote transparency and accountability in financial management.

Accounts Payable

1. All executed documents required by NCPS' policies and procedures should be retained online
2. The policies and procedures should be updated to include the retention of signed checks from the County to verify payment dates.

Fixed Assets – Additions

1. Retain procurement packages, including the Board's official approval to procure an asset, all formal bids for assets to be purchased depending on threshold requirements stated in NCPS' policies and procedures, and a fixed asset acquisition and disposition schedule signed by the County clerk.
2. Policies and procedures should be updated to either detail the definition of an "informal" bid or ensure that all bids are formal and retained.

Payroll – New Hires

1. Formalize and enforce onboarding procedures, including maintaining an onboarding package for all employees.
2. Employment records should be uploaded and stored online or in PowerSchool.

Payroll – Terminations

1. Formalize a procedure for tracking employee engagement. Binders should be kept for each employee, housing all relevant documentation during employment, including but not limited to the employee's resignation letter, Yellow Form, and final paycheck. Documentation should be stored securely, and employees should be promptly removed from PowerSchool after termination.

Payroll – Accuracy

1. Formalize a procedure for tracking employee engagement. Binders should be kept for each employee, housing all relevant documentation during employment, including but not limited to approval of overtime and part-time work, transfer of duties during the year, and any other justification around variances in the employees' pay when compared to the approved pay scale.

Budget Management

1. The budget management process should be updated as follows:

- Perform a budget reconciliation after every instance in which approved budgets and modifications are uploaded to ensure that the budget updates in the system tie to each budget category in RDA.
- Improve on account management by performing a reconciliation between the budget account detail and the chart of accounts in RDA. Unreconciled account numbers should be removed so the NCPS general ledger detail correlates with the detail presented to the public. All accounts should roll up to the presented public budget, including Elementary and Secondary School Emergency Relief (ESSER) funds and other modifications.
- The annual budget should be managed by category, not total annual budget amount, to be consistent with the County's approved appropriations legislation.

This will help ensure the approved budget is effectively managed.

County & Treasurer

The County and Treasurer's Office have financial management processes and controls in place but lack segregation of duties, robust policies and procedures related to key functions, and proper oversight of key functions. The recommendations focus on improving the financial management controls to ensure consistency in processes and promote transparency and accountability in financial management.

Recording of Income

1. Implement a vault sign-in sheet or grant restricted access to the vault to ensure secure handling of funds.
2. Revise current procedures to clearly define and outline the duties and responsibilities of staff, incorporating change management to maintain updated and effective processes.
3. Recommended that the person depositing funds validate and evidence their review to ensure accuracy.

Abatement customer refunds:

1. Implement a review process where the Treasurer reviews and approves all abatement refunds and customer refund checks or payments to ensure accuracy.

Reconciliation and Monitoring

1. Conduct a quarterly reconciliation of the delinquent list sent to the State with the refunds received from the State to ensure delinquent debts are satisfied.
2. Update the Delinquent Collections Policy to remove verbal payment agreements, fully documenting them to ensure both the County and the customer agree on the payment plan.
3. Document a comprehensive Wire Transfer and Investment Policy detailing procedures for requesting, processing, and approving intercompany and investment wires.
4. Implement a quarterly monitoring process to track outstanding checks and ensure timely follow-up actions are taken to clear them.
5. Implement a bank account reconciliation reviewer role to ensure oversight and accuracy in the bank reconciliation process.

6. Implement a system capable of printing a Reconciliation Report to reduce manual processes and minimize user errors.

Accounts Payable

1. Clearly document the accounts payable process, ensuring it includes provisions for annual reviews and updates.
2. Implement a check stock inventory log or access log to enhance control over check stock usage.
3. Establish a system control that requires management override for processing duplicate invoices.
4. Implement a unique invoice numbering system for recurring invoices, such as MMYYYY, to prevent duplicate invoice numbering.

Vendor Management

1. Document and implement a Vendor Master File Policy outlining requirements for creating, maintaining, and updating vendor records, including processes for exceptions such as refund payments.
2. Conduct an annual review of the vendor master file, including vendor changes and deletions, with a manager review and sign-off.

Payroll and Benefits

1. Clearly document the payroll and benefits process, ensuring it includes provisions for annual reviews and updates.
2. Conduct an annual review of part-time employees to identify those who have not worked or received pay in over six months.
3. Require salary increases of over 5% for Constitutional Officers to be presented to and approved by the Board.

Leave Management

1. Implement a leave management system that allows department supervisors to track leave balances in real time, ensuring employees do not take unearned leave.

Physical Asset Inventories

1. Document procedures for physical asset inventories and implement a regular cadence to ensure assets are properly maintained and monitored.

Budgeting

1. Document, implement, and enforce a Budgeting Policy or Procedure that outlines deadlines, review and approval processes, and the publishing of budget documents.

Conclusion

The implementation of these recommendations will enhance the County, Treasurer, and NCPS' internal controls, ensure consistency in processes, and promote transparency and accountability in financial

management. Annual reviews and updates of these policies and procedures will further ensure their effectiveness and relevance.

APPENDICES

Appendix A – List of Documents

Comprehensive list of documents used to determine compliance with testing.

NCPS AP Testing FYS 2019-2023

- Purchasing policies and procedures
- AP disbursements from FYS 2019-2023
- Sampled Amazon purchase orders
- Archived checks for Amazon disbursements
- Amazon cart payment confirmation
- Sampled credit card purchase orders
- Archived checks for Visa payments
- Invoice and receipts for purchases made via credit card
- Sampled purchase orders for other large disbursements
- Archived checks for other large disbursements
- Other vendor invoices

NCPS Personnel Testing FY19-23

- List of newly hired employees from FYS 2019-2023
- List of terminations and transfers from FYS 2019-2023
- Executed I-9's
- BIB background checks
- Press releases
- Offer letter/contract
- Timely Inclusion into PowerSchool
- Sampled Resignation Letter
- Teacher Checkout list
- Final paystub
- Timely removal from PowerSchool
- Annual Pay Registers
- Salary Scales
- Director notes and explanations

NCPS Fixed Asset Testing FYS 2019-2023

- Board authorization for asset acquisition
- Signed invoice
- Bit documentation for assets over procurement thresholds
- Schedule of Asset Additions and Deletions
- Fixed asset list

NCPS Budget Analysis

- Budgets for all NCPS schools and districts for FYS 2019-2023
- GL Disbursements for all NCPS schools and districts for FYS 2019-2023

County AP Testing

- Sample of identified duplicate invoices
- RDA duplicate invoice flags
- Paid invoices for FY 2023
- W-9's for new vendor testing
- EFT approval
- Check register

County Credit Card Testing

- Approved Visa statements
- Vendor invoices/receipts

County Fixed Asset Testing

- Evidence of RDA Fixed Asset input and depreciation
- Acquisition/Disposition approval
- Insurance renewal
- Fixed asset list

County Payroll Testing

- List of new hires
- Signed new hire checklists
- New hire letters and evidence of system setup
- List of terminated employees
- Evidence of system removal
- Resignation letters
- Approved monthly payroll reconciliations
- Raise schedules

Outstanding Check Testing

- Outstanding check list for FYS 2019-2023

Review of Payment Agreements

- Signed payment agreements
- System applied payments

Wire Transfer Testing

- Intercompany transfers
- Signed fund request forms

Refund Processing Testing

- Listing of customer refunds
- Evidence of refund authorization

Testing of Fee Records

- Fund reports

- Transaction reports
- Daily reports
- Deposit slip
- Bank statement

Testing of Utility Receipts

- QuickBooks deposit detail
- Bank statement (Northumberland County)
- Bank statement (Northumberland Sanitary District)

Appendix B – List of Interviewees

- Richard F. Haynie, Chair, County Board of Supervisors
- Luttrell Tadlock, County Administrator
- Mary Dodson, County Bookkeeper & Benefits Administrator
- Morgan Wilson, Executive Assistant
- Pam King, Treasurer
- Gail Dungan, Deputy Treasurer
- Candice Davenport, Deputy Treasurer
- Holly Wargo, Superintendent
- Tara Booth, NCPS Director of Finance
- Amanda Clarke, NCPS Human Resources Specialist