

**Goochland County
Audit Committee Meeting
November 29, 2016 @ 1:30 PM
Administration Building
1800 Sandy Hook Road, Goochland VA 23063
Board Conference Room**

The Goochland County Audit Committee meeting was held on November 29th at 1:30 pm in the Board Conference Room. Present were:

District 2 Supervisor Manuel Alvarez, Jr., Chairman Audit Committee
District 1 Supervisor Susan Lascolette, Vice Chairman Audit Committee

District 5 Supervisor Ken Peterson
County Administrator John Budesky
Director of Financial Services Barbara Horlacher
Assistant Director of Financial Services Kathleen Smith
School Superintendent Dr. Raley
School Finance Director Debbie White
Commissioner of Revenue Jennifer Brown
Director of Social Services Kimberly Jefferson
Supervisor for Eligibility Services Beverly Long
Mike Garber from PBMares
Kenon Thomas from PBMares

Voting members were Ms. Lascolette, Mr. Alvarez, Mr. Peterson, and Mr. Budesky.

1. Mr. Alvarez called the meeting to order. A determination of quorum was made as 4 voting members were present.
2. Ms. Lascolette made a motion to adopt the minutes of the August 16, 2016 meeting, Mr. Peterson seconded the motion, the motion was approved unanimously 4-0.
3. Mr. Garber from the county's external audit firm of PBMares began the discussion with main takeaways from the 2016 Management Letter:
 - Checks were inadvertently recorded in the wrong year. The issue was not material and suggested cross checking in the future.
 - Update current policies and procedures to comply with the new Uniform Grant Guidance 2 CFR 200 (superseded OMB Circular A-133).

Mr. Thomas from PBMares reviewed the Information Technology and Cyber Security portions of the 2016 Management Letter:

- Suggested improvements for controls over the information technology environment;
 - i. Implement mandatory employee training
 - ii. Require annual recertification for employees
 - iii. Update procedures and documentation for a disaster recovery plan
- In addition to the procedures performed in the audit, PBMares advised that Goochland County consider a deeper dive cyber audit and cyber risk assessment for FY 2017 in addition to the regular audit.

Last Mr. Garber noted the new GASB pronouncements outlined in the 2016 Management Letter that will need to be considered in the future.

Follow-up questions:

- Ms. Lascolette asked to confirm the year GASB 77 will be implemented. Mr. Garber and Mrs. Horlacher confirmed it will be in fiscal year 2017. Discussion continued regarding the presentation which is disclosure in the notes to the financial statements.
 - Discussion on the impact of GASB 78. Mr. Garber said it amends GASB 68, already implemented by Goochland County, and is intended to make reporting more uniform.
 - Mr. Peterson asked if there are audit findings from prior years showing up again in 2016. Mr. Garber said the 2016 Management Letter items are new. Mr. Peterson challenged the staff to ensure these items do not show up again in 2017.
 - Discussion on Cyber Security. The information provided by PBMares was a helpful insight on how to do things better. Mr. Budesky noted that implementation of the Cyber Security items take time and outside resources. The county will do it's best to complete or at the least have a plan. He also noted we do have some levels of this already, but a full risk assessment will take additional time. Discussion continued regarding the cost benefit analysis needed before moving forward. Mr. Garber confirmed that these were only suggestions. Mr. Peterson said cost benefit needs to be a consideration before moving forward.
 - Dr. Raley said a disaster recovery plan would be a growth opportunity for the schools. Mrs. White said they do send emails to staff to see if they are responding appropriately.
 - Mrs. Jefferson noted that Social Services has required annual training including auditing staff access, and a disaster recovery plan. This is documented and updated annually.
 - Mr. Budesky said the Social Services training could be implemented across departments as it is a joint need. He also said we do have a disaster recovery plan; send files offsite, have remote locations to resume operations, laptops to enable remote work. Disaster processes are in place it's just not a formal document.
4. Mr. Garber discussed the Report to the Board of Supervisors.
- Briefly reviewed the required communications.
 - The Summary of Significant Accounting Estimates is the same as prior years.
 - Reviewed the audit adjustments;
 - i. \$25,861 from the checks recorded in the wrong year
 - ii. \$37,126 tax adjustment
 - iii. \$67,751 school board pension adjustment, balance sheet movement only
5. Discussion concerning material weakness. Mr. Garber said it would be covered in the discussion on the CAFR. He went on to say the issue is being caused largely by issues with the State of Virginia.

Mr. Garber discussed the CAFR.

- Opinion on the financial statements is unmodified.
- Opinion on internal control over financial reporting is unmodified.

- Opinion on compliance for each major federal program and report on internal control over compliance;
 - i. The Medical Assistance Program has a material weakness and that program is qualified.
 - ii. All other major federal programs are unmodified.

Mr. Garber explained that due to the material weakness Goochland will not qualify as a low-risk auditee for an additional two years, and that Management has a corrective action in place.

- Mr. Budesky thanked Mrs. Jefferson for her assistance and diligence in the corrective action plan. Year to date there are no months that are behind, current fiscal year.
 - Mrs. Jefferson noted they went from 196 to zero behind. She and Mrs. Long discussed the following:
 - i. All employees now work mandatory overtime to keep delinquencies clear. They also work early and late to avoid peak time system outages.
 - ii. The State's system is the major cause of the issues and they now keep a log of all system issues.
 - iii. The VDSS Chief Deputy Commissioner, Mr. J.R. Simpson, emailed confirmation of the issues caused by the State's system.
 - iv. They have filled all positions except for one.
6. Ms. Lascolette asked Mr. Garber if "high risk" meant more work for the auditors resulting in higher audit fees. Mr. Garber explained there is still a minimum required amount of work and the bid did not include the additional work required for high risk. Therefore, the high risk did not impact the cost to the county.
7. Mr. Peterson thanked Mrs. Jefferson for the hard work and efforts and recognized that a vast majority of the departments work is fine. Unfortunately, the finding throws the whole county into the high risk category. He also clarified only one position remained open.
- Mrs. Jefferson thanked the Board and PBMares for their assistance. Mr. Peterson asked that she let them know if they need anything.
 - Mr. Alvarez asked if Mrs. Jefferson can provide periodic reports on their status.
 - Mrs. Jefferson asked if she could get assistance from the Board of Supervisors in contacting the state regarding unresolved system issues. The Board discussed options.
 - Mr. Garber told the Board that Goochland was the only county to approve the CAFR before submittal to the State. The Board asked if there was any way to avoid a special meeting next year. Discussion continued and concluded we would need a special meeting.
8. Mrs. Horlacher introduced the new Assistant Director of Financial Services Kathleen Smith, who is also a resident of Goochland County.
9. Mr. Alvarez adjourned the meeting.