



County of Frederick, Virginia

Internal Audit Engagement

August 31, 2024

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Josh Ludwig
Chairman At-Large of the Board of Supervisors
County of Frederick, Virginia

We have performed the procedures enumerated on pages 2 through 11 on selected accounting records and transactions of the County of Frederick, Virginia (the "County") for the period March 1, 2024 to August 31, 2024. The County's management is responsible for the accounting records and transactions.

The County has agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings can be found on pages 2 through 14.

We were engaged by the County to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the County's accounting records and transactions. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the County and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The entity's responses, titled Corrective Action Plans, to our recommendations are included in this report. The responses were not subjected to the agreed-upon-procedures performed during our engagement and, accordingly, we express no opinion or report on them.

This report is intended solely for the information and use of the specified users listed above and is not intended to be and should not be used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 18, 2024

Your Success is Our Focus

COUNTY OF FREDERICK, VIRGINIA

PROCEDURES PERFORMED

Accounts Payable Disbursements (COUNTY)

Select a random sample of ten disbursements (of the ten disbursements, at least two for items between \$10,000 and \$100,000, two for items between \$5,000 and \$10,000, and one under \$5,000 each period and five disbursements in excess of \$100,000, if available) noting:

- Evidence of authorized departmental approval.
- Payee and amount agree to supporting documentation, i.e. invoice, purchase order, receiving documentation, as applicable.
- If amount is between \$5,000 and \$9,999, there was documentation of one written quote.
- If amount is between \$10,000 and \$99,999, there was documentation of use of unsealed bidding or unsealed request for proposals.
- If amount is greater than \$100,000, determine that there is evidence of public bid notice.
 - If amount is greater than \$80,000 and for professional services, or if the amount is greater than \$100,000 and for goods and nonprofessional services, determine that there is evidence of public bid notice.
- Consider the appropriateness of the expenditure account charged and trace expenditure to the general ledger.

Using CAAT's, evaluate electronically all A/P cash disbursements for:

- Duplicate check numbers.
- Gap detection of check sequences.
- Duplicate payments (same date, payee, and amount).

Using CAAT's:

- Compare the most current to date vendor master listing to the most current to date employee master listing for vendors and employees with the same addresses and investigate those which had activity during the period under review.
- Examine vendors with the same address.
- Compare the current to date vendor master listing with the prior vendor master listing and examine ten new vendors for validity.

General Government Payroll (COUNTY)

Select a sample of five payroll disbursements noting:

- Rate of pay used to calculate gross pay agrees to authorize amount per Personal Action Form ("PA").
- Time is supported by an approved timecard signed by the department head.
- Recalculate gross pay based on approved hours and rate of pay.
- Agree amount per cancelled check or voucher to payroll register.

COUNTY OF FREDERICK, VIRGINIA

PROCEDURES PERFORMED

(Continued)

General Government Payroll (COUNTY) (Continued)

Select five new employees noting:

- Department head or supervisor has signed the PA form.
- Employee file contains an I-9 form.
- Data on the PA form agrees to the employee master file in the system.
- If individual is replacing someone in a budgeted position, test system to determine that former employee has been inactivated in the system.

Using CAAT's, compare employee payrolls from period to period and select five individuals whose gross pay changed and agree the change to personnel records.

Bank Reconciliations

Select one bank reconciliation during the period under review and perform the following:

- Compare the balance on the reconciliation to the general ledger.
- Examine fifteen treasurer checks and fifteen other checks shown as outstanding noting:
 - That payee is in compliance with County policy. (No checks written to cash or bearer)
 - The person signing the check is authorized to issue the check.
- Examine all outstanding checks greater than \$15,000 noting:
 - That payee is in compliance with County policy. (No checks written to cash or bearer)
 - The person signing the check is authorized to issue the check.
- Read the outstanding check schedule noting all checks outstanding for more than 217 days.
- Examine the bank statement for the following month to verify all deposits in transit cleared the bank.
- Examine all checks greater than \$15,000 and ten smaller checks that cleared the bank the first ten days in the subsequent month to proper inclusion/exclusion on the outstanding check list.
- Verify the clerical accuracy of the bank reconciliation.
- Agree the bank balance to the bank statement.
- Examine checks from the prior visit sample of checks that had not cleared the bank noting:
 - That payee is in compliance with County policy. (No checks written to cash or bearer)
 - The person signing the check is authorized to issue the check.

Treasurer's Checks

Select a sample of ten treasurer's checks noting:

- Evidence of authorized approval.
- Payee and amount agree to supporting documentation.

Abatements

Obtain an electronic file of abatements and select twenty abatements and agree to supporting documentation.

COUNTY OF FREDERICK, VIRGINIA

PROCEDURES PERFORMED

(Continued)

Accounts Payable Disbursements (SCHOOLS)

Select a random sample of ten disbursements (of the ten disbursements, three will be for items greater than \$5,000, two for items under \$5,000, and five disbursements in excess of \$200,000) noting:

- Evidence of authorized departmental approval.
- Payee and amount agree to supporting documentation, i.e. invoice, purchase order, receiving documentation, as applicable.
- If amount is less than \$5,000, one quote was obtained.
- If amount is between \$5,000 and \$30,000, three verbal quotes were obtained.
- If the amount is between \$30,000 and \$200,000, four written quotes were obtained.
- If the amount is greater than \$200,000, determine that there is evidence of public bid notice.
- Consider the appropriateness of the expenditure account charged and trace expenditure to the general ledger.
- For construction contracts in excess of \$100,000, examine bid bond from Surety Company that accompanies contract.

Using CAAT's, evaluate electronically all A/P cash disbursements for:

- Duplicate check numbers.
- Gap detection of check sequences.
- Duplicate payments (same date, payee, and amount).

Using CAAT's:

- Compare the most current to date vendor master listing to the most current to date employee master listing for vendors and employees with the same addresses and investigate those which had activity during the period under review.
- Examine vendors with the same address, excluding employee HSA accounts.
- Compare the current to date vendor master listing with the prior vendor master listing and examine five new vendors for validity.

General Payroll (SCHOOLS)

Select a sample of five payroll disbursements noting:

- Rate of pay used to calculate gross pay agrees to authorized amount per Assignment and Annual Contract memo from the Superintendent.
- Time is supported by an approved timecard signed by the department head (if applicable).
- Recalculate gross pay based on approved hours and rate of pay.
- Agree amount per cancelled check or voucher to payroll register.

Select five new employees noting:

- Department head has signed the PA form.
- Employee file contains an I-9 form.
- Data in employee file and new hire paperwork agrees to employee information per employee master file on payroll system.
- If individual is replacing someone in a budgeted position, test system to determine that former employee has been inactivated in the system.

COUNTY OF FREDERICK, VIRGINIA

PROCEDURES PERFORMED

(Continued)

General Payroll (SCHOOLS) (Continued)

Using CAAT's, compare employee payrolls from period to period and select five individuals whose gross pay changed and agree the change to personnel records.

Using CAAT's, search for employees that were paid twice within the same period. Select individuals to examine.

Analysis of A/R Cash Receipts (SCHOOLS)

Compare two days of cash receipts scheduled by the clerk opening the mail with the amounts deposited by the Accounts Receivable Clerk noting:

- The deposit slip agrees to the sum of all checks received.
- Support for all receipts is maintained in the A/R binder.
- The coding of revenue accounts compares appropriately to type of receipt.

Program Expenditures (SOCIAL SERVICES)

Select a random sample of ten purchase orders noting:

- Amount in client's case file matches purchase order.
- Vendor established in the system matches name in purchase order.
- Name on purchase order matches client.
- Purchase order was approved prior to any encumbrances.

Obtain the preliminary warrant register with caseworker's and aide's approval and compare that to the warrant register approved by the Director to ensure that no warrants were issued after approval by the Director.

Select a random sample of ten program expenditure disbursements noting:

- Evidence of timely authorized approval.
- Payee and amount agree to supporting documentation, i.e. invoice, purchase order, receiving documentation, as applicable.
- Consider the appropriateness of the expenditure account charged and trace expenditure to the general ledger.
- Examine cancelled check to determine that payee and amount agree to information on warrant register.
- Review case file to determine if client is authorized to receive this specific type of assistance.

Compare the most current to date vendor master listing to the most current to date employee master listing for vendors and employees with the same addresses and investigate those which had activity during the period under review.

COUNTY OF FREDERICK, VIRGINIA

PROCEDURES PERFORMED

(Continued)

Accounts Payable Disbursements (SOCIAL SERVICES)

Select a random sample of ten disbursements noting:

- Evidence of approval by the Director of Social Services.
- Payee and amount agree to supporting documentation, i.e. invoice, purchase order, receiving documentation, as applicable.
- Consider the appropriateness of the expenditure account charged and trace expenditure to the general ledger.
- Examine cancelled check to determine that payee and amount agree to information on warrant register.

Payroll (SOCIAL SERVICES)

From the payroll register, select a sample of five payroll disbursements noting:

- Rate of pay used to calculate gross pay agrees to authorized amount in employee file.
- Agree amount to payroll register.
- Compare direct deposit authorization signed by the employee to the account number that the direct deposit went into on the confirmation returned from the bank.

Select two payrolls during the period and compare net pay per the payroll register to the confirmation returned from the bank to ensure that net payroll register agrees to amount deposited by the bank.

Examine confirmation returned from the bank for duplicate employee account numbers.

Based on the number of days in the month, recalculate the maximum amount of “beeper pay” that could be paid. Compare this to the total amount of beeper pay for the month.

Select three new employees each period noting:

- Data in the personnel file matches information keyed into the Peachtree module, such as name, pay rate, bank account number.
- If individual is replacing someone, test system to determine that former employee has been inactivated in the system.

Compare payroll warrant registers for several periods looking for employees that are no longer on payroll. For employees no longer on the payroll, determine that their last payment coincides with their final day of work.

Cash Disbursements (REGIONAL JAIL)

Select a sample of ten disbursements from the inmate account and five disbursements from the canteen account noting:

- Evidence of authorized departmental approval or inmate approval.
- Payee and amount agree to supporting documentation.
- Consider the appropriateness of the expenditure in relation to the type of account.

COUNTY OF FREDERICK, VIRGINIA

PROCEDURES PERFORMED

(Continued)

Bank Reconciliations (REGIONAL JAIL)

Select one bank reconciliation and perform the following:

- Compare the balance on the reconciliation to the general ledger.
- Examine five checks shown as outstanding noting:
 - Payee and amount agree with supporting documentation.
 - The person signing the check is authorized to issue the check.
- Read the outstanding check schedule noting all checks outstanding for more than 217 days.
- Examine the bank statement for the following month to verify all deposits in transit cleared the bank.
- Verify the clerical accuracy of the bank reconciliation.
- Agree the bank balance to the bank statement.

Accounts Payable Disbursements (REGIONAL JAIL)

Select a random sample of five disbursements noting:

- Evidence of authorized departmental approval.
- Payee and amount agree to supporting documentation, i.e. invoice, purchase order, receiving documentation, as applicable.
- If amount is between \$5,000 and \$9,999, there was documentation of one written quote.
- If amount is between \$10,000 and \$99,999, there was documentation of use of unsealed bidding or unsealed request for proposals.
- If amount is greater than \$100,000, determine that there is evidence of public bid notice.
 - If amount is greater than \$80,000 and for professional services, or if the amount is greater than \$100,000 and for goods and nonprofessional services, determine that there is evidence of public bid notice.
- Consider the appropriateness of the expenditure account charged and trace expenditure to the general ledger.

Using CAAT's:

- Compare the most current to date vendor master listing to the most current to date employee master listing for vendors and employees with same addresses and investigate those which had activity during period under review.
- Examine vendors with the same address.

Accounts Payable Disbursements (SHERIFF)

Select a random sample of ten disbursements (of the ten disbursements, at least two for items between \$10,000 and \$100,000, two for items between \$5,000 and \$10,000, and one under \$5,000 each period and five disbursements in excess of \$100,000, if available) noting:

- Evidence of authorized departmental approval.
- Payee and amount agree to supporting documentation, i.e. invoice, purchase order, receiving documentation, as applicable.
- If amount is between \$5,000 and \$9,999, there was documentation of one written quote.
- If amount is between \$10,000 and \$99,999, there was documentation of use of unsealed bidding or unsealed request for proposals.

COUNTY OF FREDERICK, VIRGINIA

PROCEDURES PERFORMED

(Continued)

Accounts Payable Disbursements (SHERIFF) (Continued)

- If the amount is greater than \$100,000, determine that there is evidence of public bid notice.
 - If amount is greater than \$80,000 and for professional services, or if the amount is greater than \$100,000 and for goods and nonprofessional services, determine that there is evidence of public bid notice.
- Consider the appropriateness of the expenditure account charged and trace expenditure to the general ledger.

Using CAAT's, compare the most current to date vendor master listing to the most current to date employee master listing for vendors and employees with same addresses and investigate those which had activity during period under review.

Using CAAT's, run a summary of disbursements each period summarized by vendor name. Examine dates of payments and amounts below \$2,000 to indicate possible order splitting.

Land Use and Tax Relief (COMMISSIONER OF REVENUE)

Select a sample of five Land Use tax relief deferrals and five Tax Relief for the Elderly or Permanently Disabled deferrals during the period under review noting:

- A formal application was received and approved by the Commissioner of Revenue's office.
- Using guidelines from the state, eligibility was properly determined.
- Documentation exists that information on applications was verified by Commissioner of Revenue employees.
- For Tax Relief applications, inquire of the Commissioner how they have ensured that the asset and/or income information on the application is complete. Review documentation that these procedures were performed.

Focused Testing (SOCIAL SERVICES)

Select the two most current quarterly 941 filings for the two federal ID's at Social Services (in-home services and social services) and perform the following:

- Examine documentation that they were prepared and completed timely (by the last day of the month following the quarter end).
- Inquire about and review any delinquent notices from the IRS that have been reviewed.
- Examine reconciliation from Social Services records to 941 filed with IRS and agree balances from reconciliation to 941.
- Recalculate the calculations of payroll taxes on the 941.
- Examine documentation of timely payment with filed 941.

Select two monthly Special Welfare reconciliations and perform the following:

- Agree ten entries per month between Social Services ledgers and County general ledger.
- Review reconciliation and document that reconciling items between Social Services and County consist of interest or cancelled checks. Gain an understanding of any other reconciling items. Document any unidentified reconciling items.
- Test for clerical accuracy.

COUNTY OF FREDERICK, VIRGINIA

PROCEDURES PERFORMED (Continued)

Focused Testing (SOCIAL SERVICES) (Continued)

Select ten voided checks during the period under review and perform the following:

- Examine notification of voided check to Treasurer using standard void check notification.
- Ensure notification was made timely (within a day).

Request documentation that quarterly review of outstanding check report was performed and that checks that needed voiding were properly voided.

Select the annual, quarterly, or monthly State LASER report reconciliation.

- Verify that the department of Social Services has reconciled the LASER report to the internal Social Services Thomas Brothers system and the County's general ledger.
- Review and determine that all reconciling items have been identified.

Select five individual gas card expenditures, noting the following:

- Examine documentation of the use of the check-in and check-out log.
- Per review of the log, ensure the gas cards were returned reasonably after stated use.
- Trace individual expenditure to gas card billing statement. Review disbursement to gas card vendor noting timely payment and avoidance of penalties.
- Ensure documentation has been made of the individual case name that any expenditure is related to.
- Ensure approval has been made for expenditure and that approval is properly documented.

Select five individual credit card expenditures noting the following:

- The card has a single purchase limit.
- Training was provided to card user.
- Trace one expenditure for each card to billing statement and monthly reconciliation.
- If an item purchased for a program expense is returned, ensure that the credit on the statement is applied to the same budget item.
- Ensure case name was properly documented with expenditure.
- Ensure approval has been made for expenditure and that it is properly documented.
- Review disbursement to credit card company, noting timely payment and avoidance of penalties.
- Purchase is within "Card Use" section of Purchasing Card Policies and Procedures prepared by the Frederick County Finance Department dated November 1, 2019.

Select ten travel reimbursements filed and review for the following:

- Review documentation noting proper approval for travel reimbursements. Travel reimbursements should include employee's signature, as well as Supervisor and Director.
- Ensure per diem limits, as authorized, have been complied with.
- Ensure documentation has been made noting the individual case name that any expenditure is related to.
- Ensure County approved mileage rates are used.
- Ensure supporting documentation is filed with travel reimbursement.

Revenue Recovery Program (FIRE AND RESCUE)

Select a sample of ten daily logs and perform the following:

- Verify patient and/or hospital authorization for each run.
- Verify that a staff record was submitted to hospital.
- Check to see that the log was sent to the billing company in a timely manner.

COUNTY OF FREDERICK, VIRGINIA

PROCEDURES PERFORMED (Continued)

Revenue Recovery Program (FIRE AND RESCUE) (Continued)

- Any amounts that were written off are accompanied by supporting documentation.

Select the two most recent Quarterly Allocation Spreadsheets and perform the following:

- Verify that the report was reconciled to the G/L.
- Review and determine that all reconciling items have been identified.
- Test the mathematical accuracy of the reconciliation.

P-Card Program (COUNTY)

Select a sample of 5 individual cards noting:

- The card has a single purchase limit.
- Training was provided to card user.

Select a sample of 3 departments, and the associated summary statement for that department, noting:

- Purchases fall within the following criteria:
 - Has an associated purchase order and/or,
 - Is \$5,000 or greater and has a standing PO and/or,
 - Is \$5,000 or greater and does not require a PO and/or,
 - Utility payments (phone, cellular phone, cable, water/sewer, gas).
- Log is maintained for all charges made on department cards for the month associated with the statement selected.
- Department card is maintained in secure location
- Inquire of department p-card managers if they maintain a list of PINs for all cardholders. Additionally, inquire of a cardholder for the department if they are aware if a list of PINs is maintained by the department manager or another department staff.

For all card statements selected above verify that:

- Purchases are within “Card Use” section of Purchasing Card Policies and Procedures prepared by the Frederick County Finance Department dated November 1, 2019.
- A monthly reconciliation was performed.
- Payment summary is prepared by Program manager and signed by department head and another individual if the department head used the card.
- Payment was made within 25-day grace period.

Computer Inventory (COUNTY)

For purchases of computer equipment subject to asset tagging during the period:

- For a sample of five purchases, compare the number purchased per invoice to number of items tagged by IT as new equipment and ensure procurement policy was followed for the purchase.
- Using CAATs, determine the amount of unused equipment remaining in inventory based on the listing provided. Report if unused equipment purchased prior to three months exceeds 10% of inventory on hand.

COUNTY OF FREDERICK, VIRGINIA

PROCEDURES PERFORMED (Continued)

Computer Inventory (COUNTY) (Continued)

Using CAATS, review list of issued and tagged equipment for duplicate issuances to employees.

Select a sample of five terminated employees during the period and review listing of issued equipment from IT to determine:

- All equipment issued to the employee was returned and the device asset tag was unassigned.
- Equipment was returned within one week of employee termination.

Computer Inventory (SCHOOLS)

For a sample of five purchases of computer equipment subject to asset tagging during the period, compare the number purchased per invoice to number of items tagged by IT as new equipment and ensure procurement policy was followed for the purchase.

Using CAATS, review list of issued and tagged equipment for duplicate issuances to employees.

Select a sample of five terminated employees during the period and review listing of issued equipment from IT to determine if all equipment issued to the employee was returned and the device asset tag was unassigned.

Student Device Inventory (SCHOOLS)

Using CAATs, review list of tagged devices issued to students during the period under review for duplicate issuances to students.

For the school year beginning in the period under review:

- Using CAATs, compare list of enrollments to the list of students who received tagged devices to ensure only students enrolled in the County Schools or a fiscal agent, or enrolled through a private school receiving County School funding obtained devices.

For the school year ended in the period under review:

- Using CAATs, obtain a listing of tagged equipment marked as “Lost” after the end of school year inventory. For a sample of 10 computers, review documentation to note:
 - Effort was made to bill the student for missing equipment.
 - If the lost item was determined to be unrecoverable, equipment was deactivated in the system.

Commissioner of the Revenue

Examine real estate rezoning reports approved by the Board of Supervisors and resulting documentation from taxation system noting that zoning classification was changed accordingly and within a timely manner.

Examine the most recent update from the Virginia Department of Motor Vehicles. Select 20 additions, not already identified through the sale of a County decal. Note that date taxed, used for prorating of tax, is appropriate.

COUNTY OF FREDERICK, VIRGINIA
FINDINGS AND RECOMMENDATIONS

Accounts Payable Disbursements (COUNTY)

No exceptions noted.

General Government Payroll (COUNTY)

No exceptions noted.

Bank Reconciliations

No exceptions noted.

Treasurer's Checks

No exceptions noted.

Abatements

No exceptions noted.

Accounts Payable Disbursements (SCHOOLS)

No exceptions noted.

General Payroll (SCHOOLS)

No exceptions noted.

Analysis of A/R Cash Receipts (SCHOOLS)

No exceptions noted.

Program Expenditures (SOCIAL SERVICES)

No exceptions noted.

Accounts Payable Disbursements (SOCIAL SERVICES)

No exceptions noted.

Payroll (SOCIAL SERVICES)

No exceptions noted.

Cash Disbursements (REGIONAL JAIL)

No exceptions noted.

COUNTY OF FREDERICK, VIRGINIA
FINDINGS AND RECOMMENDATIONS
(Continued)

Bank Reconciliations (REGIONAL JAIL)

No exceptions noted.

Accounts Payable Disbursements (REGIONAL JAIL)

No exceptions noted.

Accounts Payable Disbursements (SHERIFF)

No exceptions noted.

Focused Testing (SOCIAL SERVICES)

No exceptions noted.

Revenue Recovery Program (FIRE AND RESCUE)

No exceptions noted.

P-card Program (COUNTY)

No exceptions noted.

Computer Inventory (COUNTY)

No exceptions noted.

Computer Inventory (SCHOOLS)

No exceptions noted.

Student Device Inventory (SCHOOLS)

There was one instance where a student had one or more pieces of equipment incorrectly assigned to them.

Commissioner of the Revenue

No exceptions noted.