

**Virginia Soil and Water Conservation Board
Audit Subcommittee
Wednesday, March 27, 2024
Bear Creek Lake State Park
Cumberland, Virginia**

TIME AND PLACE

The meeting of the Audit Subcommittee of the Virginia Soil and Water Conservation Board took place at 10:00 a.m. on Wednesday, March 27, 2024, at Bear Creek Lake State Park, located in Cumberland, Virginia.

VIRGINIA SOIL AND WATER CONSERVATION BOARD AUDIT SUBCOMMITTEE MEMBERS PRESENT

Adam D. Wilson, Chair
Charles A. Arnason
John Schick

DCR STAFF PRESENT

Matthew S. Wells, Director
Andrew Smith, Chief Deputy Director
Darryl Glover, Deputy Director, Soil and Water Conservation, Dam Safety and Floodplain Management
James Martin, Director, Division of Soil and Water Conservation
Christine Watlington Jones, Policy and District Services Manager
Michael R. Fletcher, Board and Constituent Services Liaison
Derrick Bolen, Special Assistant for Policy
Blair Gordon, SWCD Liaison
Denney Collins, Conservation District Coordinator
Olivia Leatherwood, Conservation District Coordinator

OTHERS PRESENT

Charles Newton, Chair, Virginia Soil and Water Conservation Board
Dr. Kendall Tyree, VASWCD

ESTABLISHMENT OF A QUORUM

With three (3) members of the Audit Subcommittee present, a quorum was established.

CALL TO ORDER AND INTRODUCTIONS

Mr. Wilson called the meeting to order at 9:00 a.m. and asked for introductions.

APPROVAL OF MINUTES FROM SEPTEMBER 25, 2023

Mr. Arnason moved that the minutes from the September 25, 2023, meeting of the Virginia Soil and Water Conservation Board Audit Subcommittee be approved as submitted. Mr. Schick seconded, and the motion carried.

REVIEW AND DISCUSSION OF 2023 AUDIT RESULTS – *Christine Watlington Jones, Policy and District Services Manager*

Ms. Watlington Jones noted the following:

- 25 districts were audited during the 2023 cycle.
- 8 had no comments.
- Many of the concerns involved:
 - Not following the established approval procedures for account payable disbursement and checks;
 - Untimely travel reimbursements; and
 - Payment of sales tax.
- There were some discrepancies noted with:
 - Attachment E reporting (this is primarily a training item);
 - Check issuance; and
 - Insured bank accounts (this is mainly a result of bank mergers and Districts are working to address it).

Ms. Watlington Jones reviewed specific recommendations for four Districts:

Big Sandy

- Issues were found involving the numeric sequence of checks.
 - The District is utilizing both hand-issued checks and system-issued checks.
- Approvals of online payments.
- Use of credit cards and retention of receipts.
- Development of a FY2024 budget.
 - The District has now provided the Department with a copy of the FY2024 budget; however, the budget does not match the budget in QuickBooks and there does not appear to be additional Board actions taken to revise the FY2024 budget.
- Payment of sales tax
 - District paid sales tax on numerous occasions.
 - Districts paying sales tax has been identified by auditors since 2020.
 - It has been included in the general letter to District Chairpersons to increase the awareness of this issue since 2020.
 - Districts continue to pay sales tax unnecessarily and in violation of the *Desktop Procedures of District Fiscal Operations*, District policies, and District procedures.
 - Department is recommending \$250 be returned from current year administration and operations funding by the Districts found to repeatedly be paying sales tax.
- District has until June 1, 2024, to provide a corrective action plan to address deficiencies.

Halifax

- Several concerns were identified; the most significant concern related to a VACS contract.

- One of their contracts failed to have the proper signatures on Parts 2 and 3.
- As required by language in both the Policy and Procedures on Soil and Water Conservation District Cost-Share and Technical Assistance Funding Allocations and the Cost-share and Technical Assistance grant agreement, Halifax will be required to pay \$26,967.54 of cost share and \$3,505.78 of technical assistance from the District's FY2025 cost-share and technical assistance allocations

Peter Francisco

- Several issues were identified.
- The issue of largest concern was the improper payment of VRS contributions on overtime pay.
- District must address this error by June 1, 2024, in addition to reviewing their policies and procedures to ensure that VRS contributions are not withdrawn from overtime pay.

Southside

- District overpaid a producer by \$15,541.59.
- The Department's understanding is that the District has notified the producer of the payment, and the producer is willing to return the overpayment.
- Letter provided to the District provides notice that if the producer chooses not to make that payment, it is ultimately the District's responsibility to return the funds to the VACS Program.

Ms. Watlington Jones noted that the issues for three Districts could be addressed by the Subcommittee. The letter to Big Sandy District should go to the full Board for approval due to the sales tax payment.

Mr. Schick moved that the Audit Subcommittee of the Virginia Soil and Water Conservation Board direct the Department to send letters to all Districts regarding the results of the audit conducted for the fiscal years that ended on June 30, 2022, and June 30, 2023. The letter must advise the Districts of deficiencies and recurring issues noted by the auditors that must be addressed.

Additionally, the Subcommittee directs the Department to provide letters, as approved by the Subcommittee, to Halifax, Peter Francisco, and Southside Soil and Water Conservation Districts outlining the actions that must be taken by the Districts to address the findings identified by Robinson, Farmer, and Cox Associates.

Mr. Arnason seconded, and the motion carried.

RECOMMENDATION REGARDING CONTINUED PAYMENT OF SALES TAX – *Christine Watlington Jones*

Ms. Watlington Jones noted that, in previous comments, she advised that some Districts continue to pay unnecessary sales tax. This is occurring more frequently and is in direct conflict with the guidance included in the *Desktop Procedures for District Fiscal Operations* and Board policy.

Four Districts, in addition to the previously mentioned Big Sandy, either repeatedly paid sales tax or paid a large amount of sales tax on a single purchase. Those Districts were Lord Fairfax, Loudoun, Mountain Castles, and Tazewell.

Mr. Schick moved the following recommendation: the Virginia Soil and Water Conservation Board, with the recommendation of the Audit Subcommittee, directs the Department to send letters to Big Sandy, Lord Fairfax, Loudoun, Mountain Castles, and Tazewell Soil and Water Conservation Districts regarding the unnecessary payment of sales tax in conflict with the §58.1-609.1(16) of the Code of Virginia. The *Desktop Procedures for District Fiscal Operations* requires all Districts to apply for sale tax exemptions at stores which they frequent more than 3 times in a fiscal year or where any one purchase is \$100 or greater.

Additionally, the Virginia Soil and Water Board, at the recommendation of the Audit Subcommittee, directs Big Sandy, Lord Fairfax, Loudoun, Mountain Castles, and Tazewell Soil and Water Conservation Districts to return \$250 of FY2024 administration and operations funds to the Department.

Mr. Arnason seconded, and the motion carried.

NEXT MEETINGS

September 2024

The Subcommittee will review grant assessments and program review.

December 2024

Chairman Wilson asked for staff to provide updates regarding certain actions taken by Districts.

Ms. Watlington Jones advised that she would update the Board as there is information to provide.

ADJOURN

There was no further business and the meeting adjourned at 9:23 a.m.