

**Audit Subcommittee of the  
Virginia Soil and Water Conservation Board  
Wednesday, September 23, 2021, 9:00 a.m.  
Drury Plaza Hotel, Richmond, Virginia**

**TIME AND PLACE**

The meeting of the Audit Subcommittee of the Virginia Soil and Water Conservation Board took place at 9:00 a.m. on September 23, 2021 at the Drury Plaza Hotel in Richmond, Virginia.

**SWCB AUDIT SUBCOMMITTEE MEMBERS PRESENT**

Adam D. Wilson, Chair  
Charles Newton  
One Vacancy

**DCR STAFF PRESENT**

Christine Watlington Jones, Policy and Regulatory Coordinator  
Darryl Glover, Deputy Director for Soil and Water Conservation and Dam Safety and Floodplain Management  
Wendy Howard-Cooper, Director, Division of Dam Safety and Floodplain Management  
Blair Gordon, SWCD Liaison  
Michael Fletcher, Board and Constituent Services Liaison  
Dan Ingersoll, OAG

**OTHERS PRESENT**

Dr. Kendall Tyree, VASWCD

**ESTABLISHMENT OF A QUORUM**

With two (2) members of the Audit Subcommittee present, a quorum was established.

**CALL TO ORDER**

Mr. Wilson called the meeting of the Virginia Soil and Water Conservation Board Audit Subcommittee to order at 9:00 a.m.

**APPROVAL OF MINUTES FROM APRIL 21, 2021**

**BOARD ACTION**

Mr. Newton moved that the minutes from the April 21, 2021 virtual meeting of the Virginia Soil and Water Conservation Board Audit Subcommittee be approved as submitted by staff. Mr. Wilson seconded and the motion carried.

**REVIEW OF THE 2021 ASSESSMENT RESULTS FOR GRANT AGREEMENT DELIVERABLES**

Ms. Watlington Jones reviewed the 2021 Assessment Results for Grant Agreement Deliverables.

1. Administrative and Operational Support
2. Cost Share and Technical Assistance

Ms. Watlington Jones reported that for administration and operations there were several Districts that received the grade of B. These mostly related to the annual plan of work and the number of meetings held with quorums. The two Districts that received grades of Cs are:

- Skyline – did not hold required number of meetings, but did meet all the other grant deliverables including cost-share grant deliverables
  - Not recommending any action be taken
- Tri-County/City – did not submit complete and accurate quarterly reports and electronic Attachment E
  - Quarters 2,3, and 4 were submitted late
  - Each quarter needed significant revisions and several submissions
  - Revisions took months to be completed and reconciled;
  - Quarter 4 reports are still being reconciled
  - An additional error has been found since the assessment was completed. The former district administrator accidentally used the district credit card for a personal purchase. She tried to reconcile the mistake on her own but did so in a way that does not follow financial procedures. This mistake was not noticed during the 3rd quarter report reconciliation because account balances reconciled at that time. The unusual transactions were discovered in August while trying to reconcile end of year reports. Although all monies seem to be accounted for, it calls into question the district's procedures for check writing and bill paying, as well as their procedures for reconciling credit card and bank statements each month.

Ms. Watlington Jones reported that for cost-share grant deliverables; there are several Bs; however, the greatest concerns for the Department are the Cs.

- Tri-County/City –
  - Data was not entered accurately into the AgBMP Tracking Module. Data errors included ineligible practices carried over into a new program year; CREP practices approved without verified funding; and practices entered without either cost estimates or funding sources.
  - The Districts allocated only 55.57% of their cost-share allocation for FY21. The District was reminded of the existing option to return cost-share funds to the Department, in order to meet this deliverable, by both the Department's SWCD Liaison and the District's CDC on separate occasions; however, the District never took action on this option.
  - The Department continues to work with the District to complete and reconcile reports.

Ms. Watlington Jones advised that staff was recommending the following actions:

- Development of a PIP within 60 days for approval by this Subcommittee, which must be approved by the District Board prior to submission to the Department. The PIP must be presented to the Audit Subcommittee by either the District Board chair or another designated Director at the Subcommittee's December meeting; and
- Limitations on the disbursements of cost-share and technical assistance funds.

Ms. Watlington Jones noted that the Performance Improvement Plan (PIP) must include the following elements:

The PIP must include the following elements:

1. Trainings District staff will attend as part of a continuing education initiative to ensure staff is knowledgeable about:
  - a. The Administration and Operations grant deliverables and the Cost-Share and Technical Assistance grant deliverables;
  - b. The AgBMP Tracking Module including how to accurately and correctly enter the required BMP data; and
  - c. The administration and operations of the District including how to utilize Quickbooks, and how to establish appropriate administrative and financial controls.
2. In order to ensure all reports are submitted accurately and on-time to the Department, the District will complete the following:
  - a. A review of existing process to determine where improvements should be made to ensure accurate reports are submitted to the Department as required;
  - b. An examination of the existing review process to determine where improvements should be made to enhance the current process; and
  - c. The adoption of formal process, based on the review of the current processes, to ensure all financial reports are submitted to the Department in an accurate and complete format, after being reviewed effectively by appropriate staff and District Board members.
3. To address deficiencies related to monthly reconciliations of credit card statements and bank statements, the District will complete the following:
  - a. A review of existing process to determine where improvements should be made to ensure reconciliations of both credit card statements and bank statements are occurring on a monthly basis;
  - b. An examination of the existing review process to determine where improvements should be made to enhance the current process; and
  - c. The adoption of formal process, based on the review of the current processes, to ensure all reconciliations occur monthly, are reviewed by a Director with check signing authority, and are initiated by the reviewing Director once the statements are reconciled.
4. To encourage an increase in the obligation of VACS funds, the District will determine the following:
  - a. Activities that the District has undertaken or will undertake to market the VACS Program such as brochures, radio ads, farmer breakfasts or dinners;
  - b. Outreach activities that have been or will be conducted such as attendance at local farm bureau meetings or field days;

- c. Techniques utilized by the District to ensure existing Program participants are moving forward on current contracts to reduce end-of-the year contract cancelations;
- d. Methods to ensure all data is entered into the AgBMP Tracking Module at least monthly but no later than March 31, 2022; and
- e. A commitment to provide a report to the Department no later than April 15, 2022 which includes:
  - i. A narrative of all the marketing and outreach activities that have been undertaken; and
  - ii. The percentage of FY2022 cost-share obligated or transferred to other Districts.

Further, the Audit Subcommittee recognizes the key role that training provides in ensuring that Districts are able to meet their grant deliverables. Therefore, Tri-County/City staff is directed to participate in trainings provided by the Department or the Virginia Association of Soil and Water Conservation Districts. It is expected that District technical staff will attend any Virginia Agricultural Best Management Practice Cost-Share (VACS) Program training provided, including the upcoming VACS 101 training; District technical staff will participate in any AgBMP Tracking Module training provided as well. District administrative staff, including the District Manager, must attend all administrative and Quickbooks trainings offered; administrative staff and the District Manager will participate in the Virginia Association of Soil and Water Conservation District Admin/Ops Committee meetings.

The District must provide the District Board-approved PIP to the Department no later than Monday, November 29, 2021 in preparation for the December 2021 Audit Subcommittee meeting. A complete and accurate list of all trainings District staff has attended must be submitted to the Department with the PIP. In accordance with the *FY2021 Administration and Operations Policy*, the *FY2021 Administrative and Operational Support Grant Agreement*, and the *FY2021 Cost-Share and Technical Assistance Grant Agreement*, the PIP must be presented by the District Board Chairman or designated Director to the Board's Audit Subcommittee at their December 2021 meeting.

Further, due to the seriousness of the financial and procedural deficiencies that have been discovered during the FY2021 assessment, the Audit Subcommittee of the Virginia Soil and Water Conservation Board requires the District to undergo a one-year audit for the period ending June 30, 2021. The cost of the 2021 audit will be at the expense of the District and will be reduced from their 2022 administration and operation allocations.

Finally, disbursements of cost-share funds and technical assistance funds shall be provided to the District by the Department as follows:

1. "FY22 TA Addition to the FY21 TA Base" funds will only be disbursed when:
  - a. FY2021 quarterly reports and end-of-year reports are appropriately reconciled; and
  - b. The Subcommittee –approved Performance Improvement Plan is fully implemented to the satisfaction of the Department.
2. The amount of cost-share funds and "FY22 TA Addition to the FY21 TA Base" funds disbursed shall be determined:
  - a. The amount of disbursed cost-share funds shall be limited to the amounts needed to fulfill obligated contracts that are entered correctly and completely in the AgBMP Tracking Module to the satisfaction of the Department; and

- b. "FY22 TA Addition to the FY21 TA Base" funds shall be limited to the amounts that are proportional to the amount of cost-share funds disbursed. These funds will be calculated by the Department utilizing the FY22 TA Calculator.

An update on progress made by the District in implementing the PIP will be provided to the Subcommittee at their anticipated March meeting by the Department; however, upon the request of the Subcommittee, the District Board chairman, or a designated Director, shall appear at the March meeting.

Mr. Newton asked if the Department and the CDC would be providing extra oversight and assistance. He noted that if there was only one employee remaining with the District that would require a lot of training.

Ms. Watlington Jones confirmed that the Department would work with the District. She noted that there are many training opportunities. The District will be asked to provide a list of those trainings attended.

#### BOARD ACTION

Mr. Newton moved the following:

The Audit Subcommittee of the Virginia Soil and Water Conservation Board directs the Department to send a Letter of Notice (LON) to the Tri-County/City Soil and Water Conservation District receiving a "C" score for not fulfilling certain grant deliverables in accordance with the *FY2021 Administration and Operations Policy* and *FY2021 Grant Agreements*.

Tri-County/City Soil and Water Conservation District (District) will receive a LON for not fulfilling the following Deliverables:

##### Administration and Operations Grant Deliverables

**Deliverable 9** (*Submit complete and accurate quarterly reports and electronic Attachment E*)

##### Cost-Share and Technical Assistance Grant Deliverables

**Deliverable 6** (*Was data entered into the AgBMP Tracking Module within 15 days after the end of every quarter to accurately reflect District Board approvals, cancelations, carryovers, and participant funding requests?*)

**Deliverable 7** (*What percentage of the District's VACS allocation for this grant period was obligated to participants?*)

**Deliverable 10** (*Did the District submit complete and accurate End of Year Cash Balance Reports and Carry Over Reports by the reporting deadline?*)

Therefore, the Subcommittee directs the District to develop a Performance Improvement Plan (PIP) within 60 days.

The PIP must include the following elements:

1. Trainings District staff will attend as part of a continuing education initiative to ensure staff is knowledgeable about:
  - a. The Administration and Operations grant deliverables and the Cost-Share and Technical Assistance grant deliverables;
  - b. The AgBMP Tracking Module including how to accurately and correctly enter the required BMP data; and
  - c. The administration and operations of the District including how to utilize Quickbooks, and how to establish appropriate administrative and financial controls.
2. In order to ensure all reports are submitted accurately and on-time to the Department, the District will complete the following:
  - a. A review of existing process to determine where improvements should be made to ensure accurate reports are submitted to the Department as required;
  - b. An examination of the existing review process to determine where improvements should be made to enhance the current process; and
  - c. The adoption of formal process, based on the review of the current processes, to ensure all financial reports are submitted to the Department in an accurate and complete format, after being reviewed effectively by appropriate staff and District Board members.
3. To address deficiencies related to monthly reconciliations of credit card statements and bank statements, the District will complete the following:
  - a. A review of existing process to determine where improvements should be made to ensure reconciliations of both credit card statements and bank statements are occurring on a monthly basis;
  - b. An examination of the existing review process to determine where improvements should be made to enhance the current process; and
  - c. The adoption of formal process, based on the review of the current processes, to ensure all reconciliations occur monthly, are reviewed by a Director with check signing authority, and are initiated by the reviewing Director once the statements are reconciled.
4. To encourage an increase in the obligation of VACS funds, the District will determine the following:
  - a. Activities that the District has undertaken or will undertake to market the VACS Program such as brochures, radio ads, farmer breakfasts or dinners;
  - b. Outreach activities that have been or will be conducted such as attendance at local farm bureau meetings or field days;
  - c. Techniques utilized by the District to ensure existing Program participants are moving forward on current contracts to reduce end-of-the year contract cancelations;
  - d. Methods to ensure all data is entered into the AgBMP Tracking Module at least monthly but no later than March 31, 2022; and
  - e. A commitment to provide a report to the Department no later than April 15, 2022 which includes:
    - i. A narrative of all the marketing and outreach activities that have been undertaken; and
    - ii. The percentage of FY2022 cost-share obligated or transferred to other Districts.

Further, the Audit Subcommittee recognizes the key role that training provides in ensuring that Districts are able to meet their grant deliverables. Therefore, Tri-County/City staff is directed to participate in trainings provided by the Department or the Virginia Association of Soil and Water Conservation Districts. It is expected that District technical staff will attend any Virginia Agricultural Best Management Practice Cost-Share (VACS) Program training provided, including the upcoming VACS 101 training; District technical staff will participate in any AgBMP Tracking Module training provided as well. District administrative staff, including the District Manager, must attend all administrative and Quickbooks trainings offered; administrative staff and the District Manager will participate in the Virginia Association of Soil and Water Conservation District Admin/Ops Committee meetings.

The District must provide the District Board-approved PIP to the Department no later than Monday, November 29, 2021 in preparation for the December 2021 Audit Subcommittee meeting. A complete and accurate list of all trainings District staff has attended must be submitted to the Department with the PIP. In accordance with the *FY2021 Administration and Operations Policy*, the *FY2021 Administrative and Operational Support Grant Agreement*, and the *FY2021 Cost-Share and Technical Assistance Grant Agreement*, the PIP must be presented by the District Board Chairman or designated Director to the Board's Audit Subcommittee at their December 2021 meeting.

Further, due to the seriousness of the financial and procedural deficiencies that have been discovered during the FY2021 assessment, the Audit Subcommittee of the Virginia Soil and Water Conservation Board requires the District to undergo a one-year audit for the period ending June 30, 2021. The cost of the 2021 audit will be at the expense of the District and will be reduced from their 2022 administration and operation allocations.

Finally, disbursements of cost-share funds and technical assistance funds shall be provided to the District by the Department as follows:

3. "FY22 TA Addition to the FY21 TA Base" funds will only be disbursed when:
  - a. FY2021 quarterly reports and end-of-year reports are appropriately reconciled; and
  - b. The Subcommittee –approved Performance Improvement Plan is fully implemented to the satisfaction of the Department.
4. The amount of cost-share funds and "FY22 TA Addition to the FY21 TA Base" funds disbursed shall be determined:
  - a. The amount of disbursed cost-share funds shall be limited to the amounts needed to fulfill obligated contracts that are entered correctly and completely in the AgBMP Tracking Module to the satisfaction of the Department; and
  - b. "FY22 TA Addition to the FY21 TA Base" funds shall be limited to the amounts that are proportional to the amount of cost-share funds disbursed. These funds will be calculated by the Department utilizing the FY22 TA Calculator.

An update on progress made by the District in implementing the PIP will be provided to the Subcommittee at their anticipated March meeting by the Department; however, upon the request of the Subcommittee, the District Board chairman, or a designated Director, shall appear at the March meeting.

Mr. Wilson seconded and the motion carried as presented.

Ms. Watlington Jones advised that, because this action was outside of normal procedures, the Audit Subcommittee should seek approval of the full Board.

Mr. Wilson agreed to present this to the full Board as part of the Audit Subcommittee report.

**SCHEDULE OF DISTRICTS TO BE AUDITED IN 2021**

Ms. Watlington noted that the following Districts are scheduled to be audited in 2021. No Board action was required.

Big Sandy	Mountain
Clinch Valley	Mountain Castles
Daniel Boone	Natural Bridge
Halifax	Peanut
Henricopolis	Peter Francisco
Holston River	Prince William
James River	Robert E. Lee
John Marshall	Shenandoah Valley
Lake Country	Southside
Lonesome Pine	Tazewell
Lord Fairfax	Three Rivers
Loudoun	Tri-County/City (special audit as approved)

Ms. Gordon advised that DCR has contracted with the auditing firm of Robinson, Farmer, and Cox. This firm has previously conducted District audits prior to the most recent process. The audits will begin toward the end of October.

**NEXT MEETING**

The Virginia Soil and Water Conservation Board Audit Subcommittee will meet in December 2021. The date and location are to be determined.

**ADJOURN**

There was no further business and the meeting adjourned at 9:45 a.m.