

**Audit Subcommittee of the
Virginia Soil and Water Conservation Board
Tuesday, June 27, 2017, 10:30 a.m.
Virginia Department of Forestry, Charlottesville, Virginia**

Audit Subcommittee Members Present

Richard Street
Steve Lohr
Barry Marten

DCR Staff Present

David C. Dowling, Deputy Director of Soil and Water Conservation and Dam Safety and Floodplain Management
Michael Fletcher, Board and Constituent Services Liaison
Darryl Glover, Director, Division of Soil and Water Conservation
Blair Gordon, Conservation District Coordinator
Stacy Horton, Conservation District Coordinator
Wendy Howard Cooper, Business and Administration Manager
Stephanie Martin, Soil and Water Conservation District Liaison

By Phone

Tracy Goodson, New River Soil and Water Conservation District

Others Present

Laymond Barger, Big Walker Soil and Water Conservation District
Rachel Havens Big Walker Soil and Water Conservation District
Gray Coyner, Virginia Soil and Water Conservation Board
Kathleen Sullivan, Virginia Dare Soil and Water Conservation District

CALL TO ORDER AND INTRODUCTIONS

Subcommittee Chairman Richard Street called the meeting to order and asked for introductions.

DISCUSSIONS WITH SOIL AND WATER CONSERVATION BOARD DISTRICTS

New River Soil and Water Conservation District

Chairman Street noted that the Board had reviewed the audit management letter for the New River Soil and Water Conservation District and the response provided by the District. He called upon Ms. Martin to provide an update.

Ms. Martin reviewed the audit management letter from Robinson, Farmer Cox Associates and exit interview information regarding the District. She summarized the areas where the auditors called for corrective action. She then reviewed the corrective action letter from Director Cristman asking the District to submit a plan within 60 days. Further that the District should arrange for another audit at District expense. Audit Subcommittee members had previously received a copy of the response.

Ms. Goodson reviewed the New River District plan and gave an overview of corrective actions already taken by the District. She noted that while given sixty days to respond that the District had completed the work within two weeks. She reviewed each concern and provided an update regarding how the District was addressing the noted concerns.

Mr. Marten suggested that the subcommittee limit the special audit only to those areas of concern and that the full audit be completed on schedule in 2018.

Ms. Martin noted that in prior years, the DCR Internal Auditor had performed an audit of a District with management concerns.

Mr. Dowling responded that while the Internal Auditor could perform the work, it was DCR's recommendation to work through Robinson, Farmer, Cox Associates.

SUBCOMMITTEE ACTION

Mr. Marten moved that the Subcommittee accept the New River Soil and Water Conservation District action plan and that further that a special audit be arranged through Robinson, Farmer, Cox Associates to perform an audit for the Fiscal Year ending 2017 to specifically address the concerns in the management letter and further that the special audit would be at District expense. Mr. Lohr seconded and the motion carried.

Big Walker Soil and Water Conservation District

Ms. Martin reviewed the management letter from Robinson, Farmer, Cox Associates regarding Big Walker Soil and Water Conservation District. She noted that there were significant issues including repeat issues from a prior audit. She reviewed the letter from Director Cristman to the District and the response provided by the District.

Ms. Havens reviewed the corrective actions taken by Big Walker Soil and Water Conservation District. She noted that immediately following the audit, the District had contracted with consultant Sarah Adams to work to install Quickbooks for items such as payroll, invoicing and other accounting issues. Previously these tasks had been performed manually. She advised that the other discrepancies had been addressed.

Mr. Dowling questioned the action taken regarding the error with the Virginia Retirement System. He noted a concern that the plan was to correct the issue going forward, but not retroactively.

Ms. Havens advised that Ms. Adams suggested the amount of the error was small and insignificant and that it would be acceptable to move forward with the correct practice. The subcommittee asked that Ms. Adams document that conversation.

Mr. Coyner expressed concern over the unclaimed checks in the amount of \$27,000. He noted that if these were turned over to the state's unclaimed property that the District would not see those funds. He asked if there was another option.

Ms. Martin noted that the Desktop Procedures require that these amounts be turned over to unclaimed property.

Ms. Havens added that the accounts were quite old and that the practices had either been completed for the recipients were deceased or no longer farming.

Mr. Dowling requested that the District provide a list of those practices associated with the unclaimed checks to Ms. Martin. DCR staff will review and consider whether there is a need to consult with the Office of the Attorney General.

SUBCOMMITTEE ACTION

Mr. Marten moved that the Subcommittee accept the corrective action plan submitted by Big Walker Soil and Water Conservation District with the requirement that Ms. Sarah Adams provide the additional information regarding unclaimed checks, and further that the special audit will continue at District expense. Mr. Lohr seconded and the motion carried.

Virginia Dare Soil and Water Conservation District

Ms. Martin reviewed the information regarding Virginia Dare Soil and Water Conservation District. She noted that there was no management letter from the auditors regarding the District, but that the issues of concern were repeat issues from prior audits.

Ms. Howard Cooper advised that the rationale behind including Virginia Dare in the special audit was that the same issues from the 2014 audit cycle appear in the 2016 auditor notes.

Ms. Martin reviewed the response from the District.

Ms. Sullivan expressed appreciation to the subcommittee for the opportunity to address these concerns. She noted that prior to receiving the letter from Director Cristman, the District had not received the actual notes because there was no exit interview. She advised that while this was the seventh audit for the District, there was no formal letter or exit interview.

Mr. Dowling noted that the Subcommittee may wish to have the Department have a direct conversation with the auditor.

Ms. Sullivan reviewed the concerns expressed in the notes and provided an overview of how each was being addressed by the District.

SUBCOMMITTEE ACTION

Mr. Lohr moved that the Subcommittee accept the corrective plan submitted by Virginia Dare Soil and Water Conservation District and that further the District not be required to arrange a special audit at this time. Mr. Marten seconded and the motion carried.

Mr. Dowling advised that there were administrative concerns that will require a discussion with the auditor.

APPROVAL OF MINUTES FROM THE MAY 23, 2017 MEETING

SUBCOMMITTEE ACTION

Mr. Lohr moved that the minutes of the May 23, 2017 meeting of the Audit Subcommittee be approved as submitted. Mr. Marten seconded and the minutes were approved.

NEW BUSINESS

Mr. Dowling advised that staff will present the assessment of Districts at the next meeting. Those Districts receiving a "C" rating can come before the Subcommittee for further discussion. Staff will review the assessments to determine whether there is a need for the Subcommittee to meet in advance of the full Board meeting on September 26, 2017.

PUBLIC COMMENT

There was no public comment.

NEXT MEETINGS

The next meetings of the Virginia Soil and Water Conservation Board are as follows:

- September 26, 2017, Old Dominion Electric Cooperative, Glen Allen, Virginia
- December 6, 2017, Portsmouth Renaissance, Portsmouth, Virginia

ADJOURN

There was no further business and the Subcommittee meeting was adjourned.

Respectfully submitted,

Richard A. Street
Subcommittee Chair

Clyde E. Cristman
DCR Director