

**Virginia Soil and Water Conservation Board  
Audit Subcommittee  
Wednesday, March 19, 2025  
Twin Lakes State Park  
Green Bay, 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 Wednesday, March 19, 2025, at Twin Lakes State Park in Green Bay, Virginia.

**VIRGINIA SOIL AND WATER CONSERVATION BOARD AUDIT SUBCOMMITTEE MEMBERS PRESENT**

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

**DCR STAFF PRESENT**

Christine Watlington Jones, Policy and District Services Manager  
Paul G. Saunders, III, Senior Policy Analyst  
Denney Collins, Conservation District Coordinator  
Olivia Leatherwood, Conservation District Coordinator

**OTHERS PRESENT**

Amy Walker, Colonial SWCD  
Sharon Conner, HCSWCD  
Kelly Snoddy, PFSWCD  
Barbara Teeple, PFSWCD  
Kevin Dunn, PFSWCD  
Suzanne Brown, Loudoun SWCD  
Paula Totten, PSWCD

**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 DECEMBER 11, 2024**

**ACTION**

Mr. Schick moved that the minutes from the December 11, 2024, meeting of the Virginia Soil and Water Conservation Board Audit Subcommittee be approved as submitted. Mr. Arnason seconded, and the motion carried.

**REVIEW AND DISCUSSION OF 2024 AUDIT RESULTS** – *Christine Watlington Jones, Policy and District Services Manager*

Ms. Watlington Jones presented the subcommittee with an overview of the audit results and highlighted the following:

- Reoccurring issues:
  - Attachment E and bank reconciliations;
  - Documented approvals for checks;
  - Use of journal entries in QuickBooks;
  - Back-dating of checks;
  - Security for Public Deposits Act; and
  - Accounts payable disbursements.

**ACTION**

Mr. Arnason made the following motion: the Audit Subcommittee of the Virginia Soil and Water Conservation Board directs the Department to send letters to all Districts audited for the fiscal years that ended on June 30, 2023 and June 30, 2024. The letter must advise the districts of deficiencies and recurring issues noted by the auditors that must be addressed.

Mr. Schick seconded, and the motion carried.

Ms. Watlington Jones then provided the following overview for certain districts and subsequent recommendations:

*Appomattox River*

- Reimbursement requests were signed and approved by the individual requesting the reimbursement.
- Important to maintain segregation of duties as described in the Desktop Procedures for District Fiscal Operations (effective July 1, 2024).
- **Recommending**: review of policies and procedures for reimbursement and check-signing policies and procedures to ensure that adequate segregation of duties is present.
  - Due to the Department by June 2<sup>nd</sup>
  - Do have a letter from Appomattox but the letter doesn't address the primary concern regarding segregation of duties.

*Blue Ridge*

- Several cost share payments lacked proper documentation to support payment for practices installed by a producer.
- The Cost Share Manual Guidelines requires bills for all eligible practice components to determine total actual installation cost.

- Original receipts and invoices for materials must be submitted by the participant and retained in the district's cost-share file to ensure accurate and appropriate payments are made for all eligible components.
- **Recommending:** review by the Department of a proportion of the cost-share files for practices that were completed and paid during the remainder of FY2025 to ensure proper documentation.
  - Additionally, proper invoices and documentation for producer-installed practices will be closely examined during the next regularly scheduled financial audit of the district.

#### *Chowan Basin*

- Financial audit revealed issues related to financial reconciliation and check issuance.
- The Desktop Procedures for District Fiscal Operations dictates that bank statements be reconciled to the district's accounting records monthly.
- When reconciliations are completed, the reviewer should check the prior month's statement and reconciliation to ensure all outstanding items from the previous month have been properly accounted for.
- Expectation that financial information contained within the Attachment E report correlates with district financial records.
- When discrepancies are found during bank or Attachment E reconciliations, they should be investigated and corrected in a timely manner.
- Additionally, it was noted that several payments only contained one signature of approval. All invoices must be endorsed by two individuals prior to issuing payments.
- **Recommending:** the district be required to undergo a special audit.
  - The special audit will only focus on bank and Attachment E reconciliations and check issuance; it will not be a full financial audit.
  - The expense of the audit will be reduced from the district's FY2026 administrative and operations allocation.

#### *New River*

- Significant findings regarding bank reconciliations require the district's immediate attention.
- The Desktop Procedures for District Fiscal Operations dictates that bank statements be reconciled to the district's accounting records monthly.
- When reconciliations are completed, the reviewer should check the prior month's statement and reconciliation to ensure all outstanding items from the previous month have been properly accounted for.
- Audit also noted regarding the district's compliance with its purchasing policy and a partial payment on an invoice.
- **Recommending:** the district be required to undergo a special audit.
  - The special audit will only focus on bank reconciliations; it will not be a full financial audit.
  - The expense of the audit will be reduced from the district's FY2026 administrative and operations allocation.

*Peaks of Otter*

- Significant findings regarding bank reconciliations require the district's immediate attention.
- The Desktop Procedures for District Fiscal Operations dictates that bank statements be reconciled to the district's accounting records monthly.
- When reconciliations are completed, the reviewer should check the prior month's statement and reconciliation to ensure all outstanding items from the previous month have been properly accounted for.
- Additionally, it was noted that the District had yet to set up the Virginia Security for Public Deposits Act (SPDA) account login and banks balances had not been verified in the SPDA system.
- **Recommending:** the district be required to undergo a special audit.
  - The special audit will only focus on bank reconciliations, check issuance, and SPDA verifications; it will not be a full financial audit.
  - The expense of the audit will be reduced from the District's FY2026 administrative and operations allocation.
  - District is directed to establish an account to and to verify bank balances in compliance with the SPDA.

*Robert E. Lee*

- Audit noted that the district had not yet established an account to comply with the Virginia Security for Public Deposits Act, §2.2-4400 et seq. of the Code of Virginia.
- **Recommending:** District is directed to establish an account and to verify bank balances in compliance with the SPDA.

*Virginia Dare*

- Multiple payments were submitted to Virginia Retirement System (VRS) after the required deadline.
- Per the Code of Virginia § 51.1-146, VRS may assess a penalty of 5% of the amount due for delinquent payments.
- VRS, along with Voya, are monitoring compliance and may also assess additional administrative fees for an employer who has persistent noncompliance.
- **Recommending:** The district undergo a special audit to ensure VRS deadlines are being met.
  - The audit will only focus on the VRS concerns.
  - The expense of the audit will be reduced from the district's FY2026 administrative and operations allocation.

**ACTION**

Mr. Arnason moved that the Audit Subcommittee of the Virginia Soil and Water Conservation Board directs the Department to provide letters, as approved by the Subcommittee, to Appomattox River, Blue Ridge, Chowan Basin, New River, Peaks of Otter, Robert E. Lee, and Virginia Dare 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. Schick seconded, and the motion carried.

*RECOMMENDATION REGARDING BIG WALKER SOIL AND WATER CONSERATION DISTRICT*

- Audit noted that the district had not yet established an account to comply with the Virginia Security for Public Deposits Act, §2.2-4400 et seq. of the Code of Virginia.
- Additionally, the district paid sales tax on several occasions.
- Districts exempt from sales tax in accordance with §58.1-609.1 (16) of the Code of Virginia.
- Recommending: District is directed to establish an account and to verify bank balances in compliance with the SPDA.

ACTION

Mr. Schick motioned that the following recommendation be made to the Soil and Water Conservation Board:

The Virginia Soil and Water Conservation Board, with the recommendation of the Audit Subcommittee, directs the Department to send a letter to Big Walker Soil and Water Conservation District 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 Walker Soil and Water Conservation District to return \$250 of FY2025 administration and operations funds to the Department.

Mr. Arnason seconded, and the motion carried.

**REVIEW AND DISCUSSION OF REVISIONS TO THE GRANT DELIVERABLES FOR DISTRICTS** – *Christine Watlington Jones, Policy and District Services Manager*

The Department's recommendations related to the grant deliverables (both administrative and operations and cost-share and technical assistance) were presented to the Subcommittee.

- After numerous discussions regarding the "grading scale" for the deliverables, the Department is recommending that the current A, B, and C scale be retained. This scale offers flexibility and maintains consistency in the grading used across the state.
- The Department has developed B options for most of the deliverables; there is only one deliverable that does not have a B option in these recommendations.
- The Department has prioritized the deliverables; about half of the deliverables are recommended to be stricken. The deliverables that remain related to cost-share and technical assistance are representative of District implementation of the VACS program in accordance with guidance, policies and procedures adopted by the Board. The deliverables that remain related to administration and operations reflect the minimum administrative and financial responsibilities of the district.

**NEXT MEETINGS**

September 2025 – Exact date and location to be determined.

December 2025 – Exact date and location to be determined.

**ADJOURN**

**ACTION**

Mr. Arnason moved that the meeting be adjourned. Mr. Schick seconded, and the meeting adjourned at 9: 44 a.m.