

**Audit Subcommittee of the
Virginia Soil and Water Conservation Board
Tuesday, May 23, 2017
Old Dominion Electric Cooperative, Glen Allen, Virginia**

MINUTES

TIME AND PLACE

The meeting of the Audit Subcommittee of the Virginia Soil and Water Conservation Board convened at 9:00 a.m. on Tuesday, May 23, 2017 at the Old Dominion Electric Cooperative in Glen Allen, Virginia.

AUDIT SUBCOMMITTEE MEMBERS PRESENT

Richard A. Street, Subcommittee Chair
Stephen R. Lohr
Barry L. Marten

DCR STAFF PRESENT

Clyde E. Cristman, Director
David C. Dowling, Deputy Director of Soil and Water and Dam Safety and Floodplain Management
Michael Fletcher, Board and Constituent Services Liaison
Darryl Glover, Director, Division of Soil and Water Conservation
Wendy Howard-Cooper, Business and Administration Manager
Stephanie Martin, Soil and Water Conservation District Liaison

ESTABLISHMENT OF A QUORUM

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

CALL TO ORDER AND INTRODUCTIONS

Chairman Street called the meeting to order and called for introductions.

REVIEW OF SUBCOMMITTEE PROCEDURES AND CURRENT AUDIT STANDINGS

Mr. Dowling reviewed the charge to the Subcommittee as expressed in the motion adopted by the full Board at the April 20, 2017 meeting. A copy of that motion as approved is included as Attachment A.

Mr. Dowling advised that this was not a meeting for decision making, but rather to set out the work plan for the Subcommittee going forward.

Director Cristman noted that it is the responsibility of the Virginia Soil and Water Conservation Board (Board) to oversee the financial operations of the Districts. The Board has vested specified authorities with the Subcommittee related to audits and performance. Through the Subcommittee, the Districts have the opportunity to respond if there are questions or concerns regarding their audit.

Ms. Martin reviewed materials provided to the members. Following the audit, management letters to three Soil and Water Conservation Districts (Districts) were sent by Director Cristman in March. Those Districts were Big Walker, New River, and Virginia Dare.

Ms. Martin related that each year, DCR contracts with Robinson, Farmer, Cox auditors to perform District Audits. The firm has been awarded the contract through a competitive RFP process. Because this firm has performed the audits for a number of years, they have a familiarity with the District operations and concerns. The cost of a single audit for 2017 was \$3,600. The auditors use the Desktop Procedures approved by the Board for the purposes of conducting the audit.

Ms. Martin advised that, following the audit, the firm will schedule an exit interview with the Districts. The exit interviews are typically with District staff, but it is recommended that at least one District Director be present. Revisions to the Desktop Procedures allow that Director to participate by phone. The auditors also meet with DCR staff and provide them with an overall comprehensive assessment of all of the District audits results, findings, and comments.

Director Cristman noted that, once the management letter was sent, Districts were provided sixty (60) days to submit a corrective action plan to the Board. If Districts are required to obtain an additional audit due to deficiencies, that cost is taken from the District's Administration and Operations funding.

Ms. Martin reported that staff is determining the list of Districts who will need to have audits performed during the next fiscal year. That list will be sent to the auditors in July and Districts will be informed at that time. Staff will then work with the auditors to select dates for each of the affected Districts.

Ms. Howard-Cooper noted that there was no auditor letter for Virginia Dare. DCR made the decision to issue the management letter to Virginia Dare based on repeated findings and the results of their audit.

Chairman Street asked that the Subcommittee be provided with all relevant materials to include the auditor letters to Big Walker and New River Districts, as well as the exit interview notes for Virginia Dare. Staff agreed to provide those materials to the Subcommittee.

Chairman Street asked that staff also provide the previous audit results from Virginia Dare.

The Subcommittee set the next meeting date as Tuesday, June 27, 2017. Staff will work to find a location in the Charlottesville area.

The Subcommittee further asked that each of the three Districts in question be invited to the meeting to discuss the findings of their audits and the District responses.

There was no further business or public comment and the Subcommittee was adjourned at 9:30 a.m.

Attachment A

Virginia Soil and Water Conservation Board
Thursday, April 20, 2017; 9:30 a.m.
Old Dominion Electric Cooperative
Glen Allen, Virginia

MOTION for the Virginia Soil and Water Conservation Board (Board) to Establish a Soil and Water Conservation District (District) Audit Subcommittee (Subcommittee)

WHEREAS, §10.1-505 of the *Code of Virginia* (Code) confers the following broad fiscal related duties and powers upon the Board:

1. To give or loan appropriate financial and other assistance to district directors in carrying out any of their powers and programs.
2. To keep district directors informed of the activities and experience of all other districts, and to facilitate an interchange of advice and experience between the districts.
3. To oversee the programs of the districts.
11. To provide, from such funds appropriated for districts, financial assistance for the administrative, operational and technical support of districts.

WHEREAS, §10.1-535 of the Code requires that district directors shall ... “(iii) provide for an annual audit of the accounts of receipts and disbursements by the Auditor of Public Accounts or a certified public accountant approved by him” with such results being provided to the Department for review.

WHEREAS, the Board’s Desktop Procedures for District Fiscal Operations document adopted on May 23, 2017 with an effective date of July 1, 2017, specifies under “Audits” that “[a]ll districts are required to accommodate an audit of accounts of receipts and disbursements on an annual basis...” and that the “Department of Conservation and Recreation [Department] has currently contracted to have each SWCD audited on a two-year rotating basis”. The manual further outlines all items that each district should have completed and have available prior to the audit.

WHEREAS, each district’s audit results are shared by the auditors and CDCs with the given district and with the Department as a series of audit close-outs and whereas the Department routinely shares the audit findings and recommendations with the Board.

WHEREAS, in accordance with the Board’s proposed POLICY ON SOIL AND WATER CONSERVATION DISTRICT ADMINISTRATION AND OPERATIONS FUNDING ALLOCATIONS FOR FISCAL YEAR 2018, the “Department, as directed by the Virginia Soil and Water Conservation Board (Board), shall assess at the end of Fiscal Year 2018 (FY18) each District’s success in meeting the deliverables Those Districts receiving a “C” score for any deliverable shall be sent a Letter of Notice (LON) on behalf of the Board by the Department to the District’s Board Chairman and Manager. The LON shall direct the District to develop a Performance Improvement Plan (PIP) ... The PIP shall be presented to the Board’s Audit

Subcommittee (Subcommittee) at their next meeting by the District Board Chairman and/or a designated Director. Any explanations and actions taken to date may be presented to the Subcommittee at that time. Upon the Subcommittee's agreement with the PIP, the District Board shall report progress made towards successful implementation of the PIP to their CDC at their monthly meetings. Copies of the Subcommittee approved PIP shall be provided to the Board and the Subcommittee Chair shall brief the Board on all matters brought before the Subcommittee. ...Failure to meet performance deliverables ... may result in funding adjustments to the District's future fiscal year's funding allocations by the Board. Such actions shall be taken at the recommendation of the Subcommittee and upon approval of the Board."

WHEREAS, the Grant Agreement as a deliverable specifically states that "[t]he District shall act upon audit findings as directed by the Board and the Department resulting from the Auditor's review of applicable District records".

WHEREAS, §10.1-534 of the Code requires that "district directors shall furnish to the Board or Department, upon request, copies of ordinances, rules, regulations, orders, contracts, forms, and other documents that they adopt or employ, and other information concerning their activities as the Board or Department may require in the performance of its duties under this chapter".

WHEREAS, ARTICLE VII, Section 2, of the May 15, 1997 adopted and December 11, 2013 revised By-Laws of the Board stipulates that "[t]he Chairman ... may appoint committees and call special meetings as required ... and perform such other duties as it may direct".

NOW THEREFORE BE IT RESOLVED, that the Board requests the Chair to appoint an Audit Subcommittee that shall have the powers and duties to review all audit and deliverable materials and to make recommendations and to advance communications based on their assessments, or instruct the Department to take such recommended actions. Any such actions shall be communicated to the full body of the Board. Substantive actions, such as actions related to funding adjustments, shall be referred to the full Board for action;

BE IT FURTHER RESOLVED, that the Subcommittee may direct the Department to issue a Letter of Notice (LON) and direct the District to develop a Performance Improvement Plan (PIP) in accordance with the Grant Agreement, and request District representatives to attend Subcommittee meetings in order for the Subcommittee to gain a better understanding of District's plan to address performance matters;

BE IT FURTHER RESOLVED, that the Board directs that the Subcommittee shall be composed of three members and include the Board's Vice-Chair, who shall serve as the Subcommittee Chair, one appointed at-large member, and one appointed member from those members nominated by the Association of Soil and Water Conservation Districts in accordance with §10.1-502 of the Code; and

BE IT FURTHER RESOLVED, that the Department shall provide support to the Subcommittee, shall public notice all such meetings of the Subcommittee, and maintain minutes of such proceedings.

APPROVED April 20, 2017