



May 13, 2021

City of Colonial Heights, Virginia
201 James Avenue
Colonial Heights, Virginia 23834

To Management and the Honorable Members of City Council and the School Board:

We are pleased to confirm our understanding of the services we are to provide the City of Colonial Heights, Virginia (the “City”) for the year ended June 30, 2021. We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, including the related notes to the financial statements, which collectively comprise the basic financial statements of the City as of and for the year ended June 30, 2021.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management’s discussion and analysis (MD&A), to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited.

- Management’s Discussion and Analysis
- Applicable OPEB Schedules
- Budget to Actual Schedule – General Fund
- Applicable Pension Schedules

We also have been engaged to report on supplementary information other than RSI that accompanies financial statements. We will subject the discretely presented component units fund financial statements and the schedule of expenditures of federal awards to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and we will provide an opinion on it in relation to the financial statements as a whole in a report combined with our auditor's report on the financial statements.

The introductory and statistical sections will accompany the basic financial statements and will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will not provide an opinion or any assurance on that other information.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Audit Objectives (Continued)

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; the provisions of the Uniform Guidance, and the *Specifications for Audits of Cities, Counties and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and will include tests of the accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our single audit. Our report will be addressed to management and those charged with governance.

We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevents us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

Audit Procedures – General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, an unavoidable risk exists that some material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit.

Audit Procedures – General (Continued)

Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards, federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures – Internal Controls

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operations of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of compliance with the provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Audit Procedures – Compliance (Continued)

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the major programs. For federal programs that are included in the Compliance Supplement, our compliance and internal control procedures will relate to the compliance requirements that the Compliance Supplement identifies as being subject to audit. The purpose of these procedures will be to express an opinion on compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Other Services

We will also assist in preparing the financial statements and related notes, certain nonaudit journal entries, the schedule of expenditures of federal awards, the data collection form, and the comparative report transmittal form of the City in conformity with U.S. generally accepted accounting principles and the Uniform Guidance based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for (1) designing, implementing, establishing and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including identification of all related parties and all related-party relationships and transactions, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance, (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Management Responsibilities (Continued)

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a corrective action plan.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

Management Responsibilities (Continued)

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for the fair presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Agreed-Upon Procedures

We will apply certain agreed-upon procedures to selected records and transactions, as described below, to the accounting records and internal controls of the City. We will perform:

- Agreed-upon procedures to assist the City in evaluating the Sheriff's internal control over compliance with the *Virginia Sheriff's Accounting Manual* and the *Code of Virginia*.
- Agreed-upon procedures solely to assist the City and the Auditor of Public Accounts of the Commonwealth of Virginia in evaluating management's assertion that the Comparative Report Transmittal Forms comply with the requirements of the *Uniform Financial Reporting Manual*.
- Agreed-upon procedures solely to assist the City and the Virginia Department of Environmental Quality based upon the mandates of the Environmental Protection Agency in demonstrating compliance with the local government financial test as required to meet the financial assurance requirements, in accordance with *Section 20-70-210 of the Financial Assurance Regulations for Solid Waste Disposal, Transfer and Treatment Facilities*, relating to the closure, post-closure care, and corrective action costs of owning and operating a municipal solid waste landfill facility.
- Agreed-upon procedures solely to assist the City and the County of Chesterfield, Virginia in evaluating selected accounting records and transactions supporting quarterly sewage charges to Chesterfield County from the City for the Main Pump Station in Colonial Heights for the period July 1, 2020 to June 30, 2021.

The actual procedures to be performed are enumerated in the attached appendix.

Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we obtain your written agreement to the procedures to be applied and your acknowledgement that those procedures are appropriate for the intended purpose of the engagement, as described in this letter. The agreement and acknowledgement are contained within this letter. A refusal to provide such an agreement and acknowledgement will result in our withdrawal from the engagement. We make no representation that the procedures we will perform are appropriate for the intended purpose of the engagement or for any other purpose. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement.

Because the agreed-upon procedures do not constitute an examination or review, we will not express an opinion or conclusion on the subject matter. In addition, we have no obligation to perform any procedures beyond those to which you agree.

An agreed-upon procedures engagement is not designed to detect instances of fraud or noncompliance with laws or regulations; however, we will communicate to you any known and suspected fraud and noncompliance with laws affecting the subject matter of this engagement that come to our attention. In addition, if, in connection with this engagement, matters come to our attention that contradict the subject matter, we will disclose those matters in our report.

We will issue a written report upon completion of our engagement that lists the procedures performed and our findings. Our report will be addressed to you and the relevant responsible parties. If we encounter restrictions in performing our procedures, we will discuss the matter with you. If we determine the restrictions are appropriate we will disclose the restrictions in our report. Our report will contain a paragraph indicating that we had performed additional procedures, other matters might have come to our attention that would have been reported to you.

Agreed-Upon Procedures (Continued)

There may exist circumstances that, in our professional judgment, will require we withdraw from the engagement. Such circumstances include the following:

- You refuse to provide written agreement to the procedures and acknowledge that they are appropriate for the intended purpose of the engagement.
- You fail to provide requested written representations, or we conclude that there is sufficient doubt about competence, integrity, ethical values, or diligence of those providing the written representations, or we conclude that the written representations provided are otherwise not reliable.
- We determine that the description of the procedures performed or the corresponding findings are misleading in the circumstances of the engagement.
- We determine that restrictions on the performance of procedures are not appropriate.

An agreed-upon procedures engagement is not designed to detect instances of fraud or noncompliance with laws or regulations; however, should any such matters come to our attention, we will communicate them in accordance with professional standards and applicable law. In addition, if, in connection with this engagement, matters come to our attention that contradict the applicable subject matter, we will communicate such matters to you.

You agree to the procedures to be performed and acknowledge that they are appropriate for the intended purpose of the engagement.

You are responsible for the subject matter to which our agreed upon procedures are applied and that it is in accordance with applicable criteria; and for selecting the criteria and procedures and determining that such criteria and procedures are appropriate for your purposes. You are also responsible for, and agree to provide us with, a written assertion about the subject matter. In addition, you are responsible for providing us with (1) access to all information of which you are aware that is relevant to the performance of the agreed-upon procedures on the subject matter, (2) additional information that we may request for the purpose of performing the agreed-upon procedures, and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence relating to performing those procedures.

At the conclusion of our engagement, we will require a representation letter from management that, among other things, will confirm management's responsibility for the subject matter. If the need for additional procedures arises, our agreement with you will need to be revised. If additional specified parties of the reports are added, we will require that they acknowledge in writing their responsibility for the sufficiency of procedures.

Examination

We will examine management's assertion that the census data reported to the Virginia Retirement System ("VRS") by the City during the year ended June 30, 2021, is complete and accurate. Our examination will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Accordingly, it will include examining, on a test basis, your records and other procedures we consider necessary to enable us to express an opinion as to whether management's assertion is fairly stated, in all material respects based on the requirements to be met by participants in the Virginia Retirement System as defined by the Virginia Retirement System and the Board of Trustees' plan provisions as mandated in the Code of Virginia Section 51.1-136. The report we issue will be intended solely for the information and use of the City and the Auditor of Public Accounts of the Commonwealth of Virginia. We will issue a written report upon completion of our examination. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the examination or are unable to form or have not formed an opinion, we may decline to express an opinion or may withdraw from this engagement.

Because of the inherent limitations of an examination engagement, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the examination is properly planned and performed in accordance with the attestation standards.

We will plan and perform the examination to obtain reasonable assurance that the census data is complete and accurate. Our engagement will not include a detailed inspection of every transaction and cannot be relied on to disclose all material errors or known or suspected fraud, or noncompliance with laws or regulations, or internal control deficiencies that may exist. However, we will inform you of any known and suspected fraud and noncompliance with laws or regulations, internal control deficiencies identified during the engagement, and uncorrected misstatements that come to our attention unless clearly trivial.

We understand that you will provide us with the basic information required for our examination and that you are responsible for the accuracy and completeness of that information. We may advise you about appropriate criteria or assist in the development of the subject matter, but the responsibility for the subject matter remains with you.

At the end of the engagement, you agree to provide us with certain written representations in the form of a representation letter.

Management is responsible for the presentation of the census data described above in accordance with the requirements described above; and for selecting the criteria and determining that such criteria are appropriate for your purposes. You are responsible for, and agree to provide us with, a written assertion as discussed above. Failure to provide such an assertion will result in our withdrawal from the engagement. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the measurement, evaluation, or disclosure of the subject matter; (2) additional information that we may request for the purpose of the examination; and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

Engagement Administration, Fees, and Other

We understand that your employees will prepare cash, accounts receivable, or debt confirmations or other information we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

We will provide copies of our report to the City; however, management is responsible for the distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Brown, Edwards & Company, L.L.P. ("Brown Edwards") and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation, and appropriate individuals will be made available upon request and in a timely manner, to the Auditor of Public Accounts of the Commonwealth of Virginia or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Brown Edwards personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the parties mentioned above. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We will begin our audit in June 2021 and plan to issue our reports no later than November 2021. I am the engagement partner and responsible for supervising the engagement and signing the reports or designating another partner to oversee and review the engagement or authorizing another individual to sign the reports.

Engagement Administration, Fees, and Other (Continued)

Our fees are based on the time required by the individuals assigned to the engagement at our standard hourly rates plus out-of-pocket expenses. Individual hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our fee, including out-of-pocket expenses for the 2021 engagement, will be \$69,300 for the City, \$16,500 for the Schools, \$8,100 for Uniform Guidance Compliance, \$2,600 for cost transmittal preparation, \$13,600 for Comprehensive Annual Financial Report preparation, \$4,500 for the additional VRS examination, \$1,200 for additional GASB 75 accounting and disclosures, and \$3,300 for the quarterly sewage billing procedures for a total fee arrangement of \$119,100. Our fee arrangement is based on the understanding that (1) the overall condition of the financial and accounting records is such that few if any adjustments are required; (2) we will receive full support from your personnel necessary for the preparation of all items discussed or as outlined in our client assistance list, to be provided; (3) the preparation of items on our client assistance list will be completed prior to our arrival to begin fieldwork as scheduled with management; (4) there will not be any significant changes in personnel during the period; (5) there will not be any significant changes in grant funding; (6) there will not be any significant new governmental accounting standards that require implementation; and (7) there will not be any significant changes in compliance testing requirements. If for some reason your personnel are unable to provide the contemplated assistance, or should we encounter unexpected circumstances that will require spending more time than presently anticipated, we will bring this to your attention and discuss the additional cost during the normal billing process. A change in the scope of our services may also require additional time and, therefore, add to the cost of the engagement. We assure you that we will make every attempt to hold our time to a minimum, commensurate with the work involved. Other services, such as research or consultation, would be an additional cost.

Interim billing will be submitted as work progresses and as expenses are incurred, and are payable on presentation of our invoices. A service charge of one and one-half percent (1-1/2%) per month will be added to accounts receivable balances remaining unpaid 30 days after the original invoice date.

In accordance with our firm policy, work may be suspended if your account becomes significantly overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, you will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination. In addition, if our work is suspended or terminated, you agree we will not be responsible for failure to meet governmental and other deadlines, for any penalties or interest that may be assessed against you resulting from your failure to meet such deadlines, and for any other damages (including but not limited to consequential, indirect, lost profits, or punitive damages) incurred as a result of the suspension or termination of our services.

In the event that Brown Edwards is required to respond to a subpoena, court order, or any other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate Brown Edwards at its standard hourly rates for the time it expends in connection with such response, and to reimburse Brown Edwards for all of its out-of-pocket expenses incurred in that regard.

Engagement Administration, Fees, and Other (Continued)

In the interest of facilitating our services to your entity, we may communicate by facsimile transmission, send data over the Internet, or allow access to data through third-party vendors' secured portals or clouds. Electronic data that is confidential to your entity may be transmitted or stored using these methods. We may use third-party service providers to store or transmit this data, such as providers of tax return preparation software. In using these data communication and storage methods, our firm employs measures designed to maintain data security. We use reasonable efforts to keep such communications and data access secure in accordance with our obligations under applicable laws and professional standards. We also require all of our third-party vendors to do the same.

You recognize and accept that we have no control over the unauthorized interception or breach of any communications or data once it has been sent or has been subject to unauthorized access, notwithstanding all reasonable security measures employed by us or our third-party vendors. You consent to our use of these electronic devices and applications and submission of confidential client information to third-party service providers during this engagement.

If any dispute, other than with respect to fees which is addressed below, arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation administered by the McCammon Group under its applicable rules for resolving professional related services disputes before resorting to litigation. The parties agree that mediation will take place within 60 days from the date notice is first given from one party to the other as to the existence of a dispute and the demand to mediate. Should the parties be unable to agree upon a mediator, said mediator will be selected by the McCammon Group. Cost of any mediation proceeding shall be shared equally by all parties. The submission of any dispute to mediation or arbitration shall not be deemed to waive, and shall not be deemed to toll, any applicable statute of limitations.

Disputes arising between the accountant and the client over fees should be settled between the parties. If not settled, the client and the accountant agree to submission for resolution by arbitration in accordance with the applicable arbitration rules of the McCammon Group, and such arbitration shall be binding and final. Should the parties be unable to agree upon an arbitrator, said arbitrator will be selected by the McCammon Group. The accountant and the client acknowledge that in agreeing to arbitration, each forfeit the right to have the dispute settled in a court of law.

Should any litigation be instituted by either party to this agreement, both parties agree to submit to the jurisdiction of the Colonial Heights Virginia Circuit Court for any disputes arising under this contract.

Any claim by you for damages arising from Brown Edwards' performance of its services under this agreement shall be commenced within one year from when you knew, or should have known, of Brown Edwards' breach of standard care, but in no event shall such claim be brought more than three years after the date of delivery of the completed report.

Engagement Administration, Fees, and Other (Continued)

In providing our services, we are required by law and our professional standards to maintain our independence from the Organization. We take this mandate very seriously and thus guard against impermissible relationships, which may impair the very independence, which you and the users of our report require. As such, you should not place upon us special confidence that in the performance of our services we will act solely to your interest. Therefore, you acknowledge and agree we are not in a fiduciary relationship with you and we have no fiduciary responsibilities to you in the performance of our services described herein.

Professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, you agree to compensate us for any additional costs incurred as a result of your employment of any of our partners or professional employees. In addition, to ensure that Brown Edwards' independence is not impaired under the AICPA *Code of Professional Conduct*, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

You acknowledge that we devote a substantial amount of time and resources to the hiring, retention, and training of employees engaged in the provision of services to our clients. Accordingly, we ask that you agree to the following. In the event that any of our employees accepts a position of employment with your Company, or any of its related parties at any time while we are performing services for you or within one year thereafter, you agree to compensate us in the form of a placement fee equal to 35% of the employee's annual compensation in effect on the date employment was contracted with your City. This fee will be payable when the employee accepts such a position. If you need a permanent employee and would like assistance in locating this type of individual, we can provide personnel search assistance to help you locate and hire a qualified professional.

You represent and warrant to us that you do not "participate in the Cannabis market," which for the purposes of this engagement letter is defined as: a) selling, producing, transporting, storing, destroying, or otherwise possessing Cannabis (in any form for any duration), regardless of whether such activity is permitted under state law; or b) directly or knowingly provided services, products, or finished goods to any person or entity that pursuant to a license under state law or otherwise sells, produces, transports, stores, destroys, or possess for related purposes Cannabis. As used in this engagement letter, the term "Cannabis" refers to Schedule I substance as listed under the federal Controlled Substances Act (and any derivative therefrom) and commonly referred to as "cannabis," "marijuana," "marihuana," or similar names.

Should we learn of any information from any source (public or non-public) that your company participates in the Cannabis market, regardless of whether such activity is permitted under state law, we reserve the right to terminate this agreement ("Special Termination") immediately without recourse or liability for any loss which may be suffered by your City as a result of such termination. Upon termination of this agreement, our engagement with your City shall be deemed complete, and we shall have no further obligation to deliver any items not previously provided, whether in final or draft form. We shall bill, and your City shall be obligated to pay for, any outstanding amounts due (including reasonable out-of-pocket costs) for services rendered under the terms of this engagement letter up to the date of termination as shall be provided for in a final invoice, and such fees and costs shall become immediately due and payable.

COVID-19

Notwithstanding the unprecedented circumstances resulting from the COVID-19 outbreak, we continue to have a professional obligation to gather sufficient appropriate audit evidence in support of your financial statements. Travel restrictions, actual or suspected infections, work from home requirements, changes – such as work force reductions - made to accommodate the current business environments, or other similar matters may result in delays in your employees' ability to provide us the necessary audit evidence on a timely basis or at all. Similarly, such matters may impact our own ability to collect or appropriately assess necessary audit evidence on a timely basis or at all.

Should such events occur, you and Brown Edwards will make good faith efforts to complete alternative procedures to gather and assess necessary audit evidence. Such procedures might include, but not be limited to, our respective employees working from home, transferring more audit information via electronic modes (preferably through our secure exchange portal), and meeting virtually rather than in-person. As to audit evidence transferred via electronic modes, you are responsible to ensure that such evidence is authentic, complete, and accurate for the purposes it is meant to serve. Brown Edwards will perform, as it deems necessary, incremental procedures to validate the authenticity, completeness, and accuracy of such audit evidence.

Expected Form and Content of the Auditor's Report

In particular, impacts from the COVID-19 outbreak may result in our inability to properly complete the engagement or require us to include such an explanatory or emphasis paragraph in our auditor's report.

Availability of Records and Personnel

Should impacts from the COVID-19 outbreak impede the ability to provide full cooperation and access, you will instead work with us in good faith to make alternative arrangements to accomplish the objectives of our audit.

We appreciate the opportunity to be of service to the City and believe this letter accurately summarizes the significant terms of our engagement. This letter supersedes all previous engagement letters. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

BROWN, EDWARDS & COMPANY, L.L.P.



Christopher A. Banta, CPA, CFE, Partner

City of Colonial Heights, Virginia

May 13, 2021

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RESPONSE:

This letter correctly sets forth the understanding of the City of Colonial Heights, Virginia.

By: _____

Title: _____

Date: _____

AGREED-UPON PROCEDURES TO BE PERFORMED**Compliance with the *Virginia Sheriff's Accounting Manual*****Operations**

We will ascertain which accounts the Sheriff maintains and gain an understanding of the operations performed at the Sheriff's Office. Determination should include whether the Sheriff is operating and/or maintaining accounts for the following programs/functions: canteen funds, inmate trust funds, work or educational release/work force/home incarceration programs, reimbursement from housing prisoners of other jurisdictions, co-payments from inmates for medical services, proceeds from forfeited property, confidential funds to be utilized as part of investigations, operation of any community crime prevention programs, collection of donations, collection of fees for court support services, petty cash funds to aid in operations, and credit cards/purchasing cards accounts to aid in operations. These procedures are not designed to detect the potential misuse of property by department personnel. They are also not designed to ascertain the completeness of revenues recorded by the Sheriff's office. **For the applicable accounts and operations, we will perform the following procedures:**

1. Canteen Fund Operations

- a. Have client complete (or review the completed checklist from the prior year) the internal control checklist for canteen fund operations.
- b. Select two months' bank reconciliations to review for timely preparation and review by a supervisor. Additionally, determine if all items over \$1,000 that have been outstanding for more than 90 days or are unusual in nature are followed up on by the reviewer.
- c. Select five disbursements from the canteen fund to test for the following:
 - i. Properly approved purchase order or other evidence of approval of disbursement prior to the actual disbursement.
 - ii. Agree amounts, quantity, description, dates, etc. between purchase order, invoice, receiving report, cancelled check, etc.
 - iii. For supplies and other operational outlays, determine the reasonableness of the charge in relation to the canteen fund's operation.
 - iv. For vendors with an existing contract, determine that the expenditure is in accordance with the terms of the written contract and any related change orders, if applicable.
 - v. Determine that the Sheriff followed the Virginia Public Procurement Act, as applicable.
 - a. When procuring professional services with an expected aggregate cost in excess of \$50,000, the Sheriff must contract using competitive negotiation as follows: A written request for proposal should be issued and public notice of the request must be given. Two or more qualified offerors should be selected as potential providers. Negotiation on cost of services can then be made with the top offeror. If a contract cannot be agreed upon with the top offeror, then negotiations proceed to the 2nd highest ranked offeror and so on.
 - b. When procuring goods or services that are expected to exceed the threshold established in the Virginia Procurement Act, the Sheriff must obtain sealed bids or competitive negotiation in awarding the contract for goods and services to a vendor. Written request for bids should be issued and public notice should be given of the request. A deadline for submission should be provided as part of the requests. Bids should not be opened until the deadline. Bids should be awarded to the lowest costing responsive bidder. Any bidder not meeting all requirements publicized in the initial request for bids can be considered non-responsive.

AGREED-UPON PROCEDURES TO BE PERFORMED
(Continued)

Compliance with the *Virginia Sheriff's Accounting Manual (Continued)*

1. Canteen Fund Operations (Continued)

- vi. For disbursements utilizing the profits earned on canteen services, ascertain that the funds were spent for the benefit of the inmates housed at the facility. Funds can be spent for educational, recreational, or other inmate beneficial purposes.
- d. Select two days of canteen sales and verify that:
 - i. Sales were promptly recorded on the general ledger.
 - ii. For each day selected, test an inmate purchase to determine that the inmate was given a form or receipt to sign acknowledging the purchase and the amount to be deducted from the inmate's trust fund account.
 - iii. Determine that a copy of the form was maintained in the inmate's record and a copy was properly submitted to the trust fund account custodian for deduction from the inmate's account.
- e. Select one of the two semi-annual canteen fund financial statements the Sheriff's office prepared to review. Determine who is preparing the statements, that they are prepared timely, and are reviewed timely by a supervisor/facility director.

2. Inmate Trust Fund Operations

- a. Have client complete (or review the completed checklist from the prior year) the internal control checklist for Inmate Trust Fund Operations
- b. Select two months' bank reconciliations to review for timely preparation and review by a supervisor. Additionally, determine if all items over \$1,000 that have been outstanding for more than 90 days or are unusual in nature are followed up on by the reviewer.
- c. Select three inmate accounts and test for the following:
 - i. Review two receipts posted to each inmate account and determine that all funds were promptly credited to the inmate account.
 - ii. Review two disbursements from each inmate account and determine that all were properly supported by documentation and acknowledged by the inmate (canteen forms/receipts, medical charge forms for co-pays, form to acknowledge cost of care and custody for those on work release, child support orders, inmate request to send funds to family, etc.).
 - iii. Inmate ledgers are available to inmates upon reasonable request from the inmate.
 - iv. If inmate account was closed during the year, determine that the inmate was released and all funds were remitted to the inmate (in cash or check, depending on policy) at the time of release. Also, determine that the inmate received a final statement of the account activity and balance.

3. Work or Educational Release/Work Force/Home Incarceration Programs

- a. Have client complete (or review the completed checklist from the prior year) the internal control checklist for Work or Educational Release/Work Force/Home Incarceration Programs.
- b. Obtain information from Sheriff Office personnel regarding inmates under the Work or Educational Release/Work Force/Home Incarceration Programs, select three inmates for testing, and:
 - i. Select two months for each inmate and ascertain that charges for custody and care are acknowledged by the inmate and have been properly deducted from the trust account (for those work release prisoners having charges deducted from accounts).

**AGREED-UPON PROCEDURES TO BE PERFORMED
(Continued)**

Compliance with the *Virginia Sheriff's Accounting Manual (Continued)*

3. Work or Educational Release/Work Force/Home Incarceration Programs (Continued)

- ii. Obtain two summary sheets/transmittals to the Treasurer and receipts for home incarceration and work release collections and ascertain that all funds collected are being remitted to the Treasurer as required.
- iii. Ascertain that work release/force wages paid to inmates are promptly credited to the inmate's trust fund account for use for fees, canteen purchases, and other inmate costs by testing two wage payments made to each inmate selected.

4. Prisoner Reimbursement Programs

- a. Have client complete (or review the completed checklist from the prior year) the internal control checklist for Prisoner Reimbursement Programs.
- b. Select two contracts and two payments from each contract selected with other localities/jurisdictions/facilities and determine:
 - i. Local governing body has agreed with the contract and the daily rate to be charged.
 - ii. Billings on the contract were made in accordance with contract terms.
 - iii. Collections have been properly receipted and are safeguarded until they are remitted to the Treasurer.
 - iv. Funds were promptly remitted to the Treasurer for deposit into the locality's account.
 - v. Amounts outstanding from the contracting entity longer than contract terms are promptly followed up on.

5. Medical Co-Payment and Other Medical Accounting Program

- a. Have client complete (or review the completed checklist from the prior year) the internal control checklist for Medical Co-Payments from inmates participating in medical services offered.
- b. Determine that the Sheriff has established a detailed fee schedule that explains application for various situations such as follow-up visits, multiple medical needs, routine monitoring procedures, and chronic care.
- c. Select three inmate medical charge sheets and test as follows:
 - i. Form was signed by the inmate acknowledging the charges for the visit and that the charges would be deducted from the inmate's trust account.
 - ii. Form was signed by medical personnel/health administrator indicating medical services provided to the inmate.
 - iii. Copy of form was provided to the individual in charge of the inmate trust fund accounts so the charge could be properly deducted from the inmate's account.
- d. Determine that the Sheriff has developed a policy regarding uncollectible accounts.

6. Forfeited Property

- a. Have client complete (or review the completed checklist from the prior year) the internal control checklist for proceeds from Forfeited Property.

AGREED-UPON PROCEDURES TO BE PERFORMED
(Continued)

Compliance with the *Virginia Sheriff's Accounting Manual (Continued)*

6. Forfeited Property (Continued)

- b. Obtain Forfeited Property logs and requests for participation in forfeited assets submitted to the U.S. Department of Justice and/or the Virginia Department of Criminal Justice Services, select three requests, and determine that:
 - i. Logs contain all necessary information as suggested by the sheriff's accounting manual: type of property received, amount requested, amount received, and the date received.
 - ii. Funds received at Sheriff's Office were properly receipted.
 - iii. All funds were transmitted to the Treasurer.
- c. Through review of agreements with the funding agency, note any limitations on use of proceeds from forfeited property. Select three disbursements and test as follows:
 - i. Appropriation was made by local governing body prior to purchase of goods/services.
 - ii. Purchases were made in a manner consistent with the City purchasing and payment procedures.
 - iii. Items/services purchased are allowed under the usages stipulated by the U.S. Department of Justice, VA Department of Criminal Justice Services, or Attorney General Guidelines.
 - iv. Determine that the Sheriff's office did not use forfeited asset proceeds to supplant existing programs or funds. Localities should not use the proceeds to pay for items, including capital purchases, that are part of routine budget items and funded by the locality's general fund.

7. Confidential Funds

- a. Have client complete (or review the completed checklist from the prior year) the internal control checklist regarding the utilization of Confidential Funds in investigations.
- b. If the Sheriff has established a separate petty cash fund or petty cash checking account that is dedicated solely for confidential funds, select two months' bank reconciliations to review for timely preparation and review by a supervisor. Additionally, determine if all items over \$1,000 outstanding for more than 90 days or items that are unusual in nature are followed up on by the reviewer.
- c. Select two requests to have checks cut to the Sheriff or select two petty cash replenishment requests (depending on method used by locality) and determine:
 - i. The Sheriff signed and certified that all listed expenses were part of a legitimate investigation that his/her agency is participating in. Note - Law enforcement is not required to divulge details of an ongoing investigation in order to provide supporting documentation. Certification of the expenses is considered adequate.
 - ii. The Commonwealth's Attorney or other law enforcement official (such as Assistant Attorneys General, U.S. Attorneys, federal law enforcement officers, or other law enforcement officers with whom the Sheriff or deputies are working with on the investigation) signed and certified that all listed expenses were part of a legitimate investigation.
 - iii. For the petty cash method, that the Sheriff is requesting reimbursement at least quarterly.

AGREED-UPON PROCEDURES TO BE PERFORMED
(Continued)

Compliance with the *Virginia Sheriff's Accounting Manual (Continued)*

7. Confidential Funds (Continued)

- d. For funds released to deputies, select three disbursements to deputies for use in investigations and determine:
 - i. That the deputy signs a receipt or other acknowledgement of the funds received. This form should include the date and time funds are received by the deputy and the date and time any unused funds are to be returned.
 - ii. All unused funds were returned by the same deputy within the timeline specified on the original receipt.
 - iii. The deputy provided a report of activity or other report as required to account for the use of all funds not returned.

8. Community Crime Prevention Programs and Donated Funds

- a. Have client complete (or review the completed checklist from the prior year) the internal control checklist for Community Crime Prevention Programs.
- b. Obtain logs and/or reimbursement requests from Sheriff's Office personnel for state and federal grant funds requested and determine that adequate records are maintained for all funds requested and received. Also, determine that all funds received at the Sheriff's Office are remitted to the locality's Treasurer for deposit and recording on the general ledger. Test one receipt/reimbursement request for each of the locality's grants.
- c. Through review of awards/agreements with the funding agency, note any limitations on the use of proceeds from grant funding for Community Crime Prevention Programs and Donated Funds. Test three disbursements of proceeds as follows:
 - i. Appropriation made by local governing body prior to purchase of goods/services.
 - ii. Purchases made in manner consistent with the City purchasing and payment procedures.
 - iii. Items/services purchased are allowable under the usages stipulated by the awarding/funding agency or donor restrictions, as applicable.
- d. Obtain receipt books for donations received from local individuals, businesses, etc., select three receipts, and determine that funds were promptly remitted to the Treasurer of the locality as required.

9. Court Support Services

- a. Have client complete (or review the completed checklist from the prior year) the internal control checklist regarding Court Support Services and related fees.
- b. Select two months' bank reconciliations to review for timely preparation and review by a supervisor. Additionally, determine if all items over \$1,000 that have been outstanding for more than 90 days or are unusual in nature are followed up on by the reviewer.
- c. Select two monthly transmittal forms from the Sheriff that are utilized to transmit funds to the City Treasurer and determine:
 - i. Monthly summaries were prepared to account for all receipts collected and deposited to the Sheriff's account, less any disbursements to those owed funds collected on their behalf by the Sheriff.

AGREED-UPON PROCEDURES TO BE PERFORMED
(Continued)

Compliance with the *Virginia Sheriff's Accounting Manual (Continued)*

9. Court Support Services (Continued)

- ii. Check was issued from Sheriff's account to the Treasurer for the amount computed on the monthly summary.
- d. For Sheriff's sales and levies, the Sheriff may withhold a commission in accordance with the Code of Virginia.
 - i. Inquire of the Sheriff if there were any sales held during the year.
 - ii. Select the sales documentation from three sales and/or levies and determine that:
 - a. Sales commission was computed correctly (Commissions are computed as 10% of the gross sale.)
 - b. Net proceeds were issued on a check to the plaintiff owed the funds. (Net proceeds are the gross sale, less the costs of the auction and the 10% Sheriff's commission.)
- e. For disposal of unclaimed property in the possession of the Sheriff, the Sheriff has the option to retain the property for department use or to sell the property at a public sale. Unclaimed personal property for this purpose is any personal property which has been acquired by a law enforcement officer pursuant to his/her duties, which is not needed in any criminal prosecution, which has not been claimed by its rightful owner, and which the State Treasurer has indicated will be declined if remitted under the Uniform Disposition of Unclaimed Property Act.
 - i. Inquire of the client whether there was any unclaimed property during the year that was sold or retained for department use.
 - ii. Select three items that were either sold or retained and determine that:
 - a. The Sheriff made reasonable attempts to contact the rightful owner to return the property.
 - b. The Sheriff has obtained a notice (in writing) from the locality's Commonwealth's Attorney that the property in question is not needed for any prosecution.
 - c. The Sheriff has received notice from the State Treasurer that the property will be declined if remitted under the Uniform Disposition of Unclaimed Property Act.
 - d. The Sheriff has published a notice in a local paper for two weeks that there will be a public display and sale of the unclaimed personal property and the property was described in the notice.
 - e. For an item retained, the Sheriff determined that there is a legitimate use for the property and the retention of such property is more economical than purchase of a similar or equivalent item.
 - f. If the item was sold, the Sheriff properly calculated the amount of the commission on the sale. (Commission is computed as 10% of the gross sale proceeds.)
 - g. Net proceeds from the sale are retained for the owner and paid to the owner upon proof that the individual owned the item sold. (Net proceeds are the gross sales price less the costs of the sale and the Sheriff's 10% commission.)
 - h. Funds unclaimed by the former owner of the property within 60 days were properly deposited into the general fund of the locality.

AGREED-UPON PROCEDURES TO BE PERFORMED
(Continued)

Compliance with the *Virginia Sheriff's Accounting Manual (Continued)*

10. Petty Cash and Petty Cash Checking Accounts

- a. Have client complete (or review the complete checklist from the prior year) the internal control checklist for petty cash.
- b. Select two months' bank reconciliations to review for timely preparation and review by a supervisor. Additionally, determine if all items over \$1,000 that have been outstanding for more than 90 days or are unusual in nature are followed up on by the reviewer.
- c. Determine that reimbursement/replenishment requests are being made at least quarterly with the City's Treasurer/Director of Finance by reviewing requests submitted during the year and noting the frequency of requests.
- d. Select five disbursements from petty cash/petty cash checking and determine that:
 - i. All disbursements are supported by proper and adequate documentation.
 - ii. Disbursement was included on request for replenishment submitted to the Treasurer/Director of Finance.
 - iii. For cash disbursements, recipient of cash funds signed a receipt/acknowledgment for the amount of funds received and all unused funds were returned with documentation supporting funds used.
 - iv. Disbursement was made in accordance with petty cash guidelines for dollar threshold and item limitations.
 - v. Purchase through petty cash did not circumvent the locality's purchasing guidelines the Sheriff must follow.

11. Credit Cards/Small Purchase Cards

- a. Have client complete the internal control checklist for credit cards/small purchase cards.
- b. Obtain the sign-out log, authorized cardholders listing, and credit card statements for the year, select one statement from each department credit card and determine the following:
 - i. Statement was reviewed by supervisor or other designated individual.
 - ii. Receipts, invoices, or other applicable documentation was obtained for all charges to the card.
 - iii. Charge card purchase was within established limits (dollar and type of purchase) of the Sheriff and/or locality credit card/purchasing card policy.
 - iv. Requests for cards are required to be approved before card is issued for use (form, space on sign-out log, or some other documentation) to ascertain that all established purchasing and procurement policies are followed.
 - v. Card returned prior to end of the business day (unless signed-out and approved to be kept for after hours or overnight travel or other afterhours activity). Ideally, card and receipts are returned to the individual with custody of the cards at the same time. That individual can then give the receipts to the appropriate person for statement reconciliation.
 - vi. Determine that the card is issued in the name of the Sheriff's office or the name of the sheriff or deputy, with the locality name included. A card should never be issued in just the name of the individual Sheriff or deputy.

AGREED-UPON PROCEDURES TO BE PERFORMED
(Continued)

Compliance with the *Virginia Sheriff's Accounting Manual (Continued)*

12. Evidence

- a. Have client complete the internal control checklist for evidence.
- b. If the Sheriff has established a separate cash fund or evidence cash checking account that is dedicated solely for evidence funds, select two months' bank reconciliations to review for timely preparation and review by a supervisor. Additionally, determine if all items over \$1,000 outstanding for more than 90 days or items that are unusual in nature are followed up on by the reviewer. Determine that the account has been appropriately marked as public funds.
- c. Obtain the evidence log and perform the following procedures:
 - i. If the Sheriff is depositing cash into a designated account, select two items for review.
 - a. Determine that funds were deposited timely to either the Treasurer or the dedicated checking account.
 - b. Determine that there is proper segregation of evidence receipt and evidence deposit.
 - ii. Note evidence of review and approval of log and activity.
 - iii. Determine the date of the last inventory of the evidence log to the evidence held in the evidence room. Note if there were any discrepancies during the inventory.
 - iv. If items were released from evidence, select two items and determine the following:
 - a. Evidence was properly logged from the facility.
 - b. Resolution of items was completed timely.
 - c. The amount of cash or item released was adequately described upon check-out.

Local Government Financial Test for Municipal Solid Waste Facilities

We will conduct a comparison between the data and statements in the local government financial assurance financial test letter from the Director of Finance and the data and statements contained in the audited financial statements. We will recompute totals and percentages used in calculating the conditions of the test.

Compliance with the *Uniform Financial Reporting Manual*

We will review the requirements for the completion of the forms as set forth in the *Uniform Financial Reporting Manual* and identify differences between the accounting policies and the requirements of the Manual.

We will compare the information contained on Form 050 to the audited financial statements and will review reconciling items for compliance with the requirements of the Manual.

We will review comments made by the Auditor of Public Accounts during the desk review of the forms submitted in the prior year, and test the current year forms for incorporation of these comments.

We will review the Verify Report and Edit Report to identify whether any errors have been properly resolved or explained.

We will compare the current and prior year forms and investigate significant differences or changes.

We will review joint activity forms (Forms 110 and 310) prepared by other local governments, authorities, or auditors for reasonableness.

**AGREED-UPON PROCEDURES TO BE PERFORMED
(Continued)**

Quarterly Sewage Billing to Chesterfield County

1) Computation of Sewage Charges – County of Chesterfield

- a) Determine clerical accuracy of each quarterly billing.
- b) Trace quarterly Chesterfield County flow to supporting documentation.
- c) Trace quarterly Colonial Heights flow to supporting documentation.
- d) Verify that the meter calibration certificate is current for maintenance and calibration.

2) Operation and Maintenance Charges of Main Pumping Station Force Main

- a) Determine clerical accuracy of each quarterly billing.
- b) Compare each quarterly billing amount to the prior quarterly billing amount and obtain explanation for any variance greater than 10% and \$2,000. The total direct costs and County of Chesterfield percentage of water flow related to each quarterly billing amount will be compared to the same data in the previous quarter to help support and explain the billing variance when it exceeds the predetermined thresholds.
- c) Salaries and Benefits – Select 2 different employees from each quarterly billing and verify regular hours for MPS, number of hours in the quarter, pay rate, overtime hours for MPS, average pay rate, quarterly salary/grade, quarterly health insurance premium rate, percent of time, overtime cost, and fringe benefits rate. Individual employee files including contracts, compensation letters, and benefit forms, as well as monthly payroll reports and records will be used to verify data in each quarterly billing.
- d) Equipment Operation and Maintenance – Using the same 2 employees selected for the salaries and benefits testing, select 2 employee vehicles from each quarterly billing and verify it's percent of time allocated to the County of Chesterfield as well as the reasonableness of the time allocated, and trace its respective monthly equipment and operation and maintenance costs (gas/grease/oil, work order, parts/supplies/tires) to invoices and other related supporting documentation to support the costs charged and allocated.
- e) Supplies – For each quarterly billing, trace any supply costs over \$5,000 to supporting documentation.
- f) Utilities – For each quarterly billing, trace any utility cost over \$10,000 to supporting documentation.
- g) Repair and Maintenance – For each quarterly billing, trace any repair and maintenance cost over \$10,000 to supporting documentation.
- h) Water Used at Pumping Station – For each quarterly billing, trace any individual cost of water used at the pumping station over \$1,000 to supporting documentation.
- i) Administrative – Determine clerical accuracy of administrative fees.