



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

August 7, 2017

Creedle, Jones, and Alga, PC  
828 N Mecklenburg Avenue  
South Hill, VA 23970

We have reviewed the working papers for the audit of the City of Franklin, Virginia, which includes the City of Franklin Public Schools, for the year ended June 30, 2016. The purpose of our review was to determine whether:

- A. the audit complies with the Specifications for Audits of Counties, Cities, and Towns, issued by the Auditor of Public Accounts;
- B. the audit complies with Government Auditing Standards, issued by the Comptroller General of the United States;
- C. the audit complies with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards;
- D. the annual financial reports comply with generally accepted accounting principles for governmental entities; and
- E. the auditor has performed the agreed upon procedures for the Comparative Report Transmittal Forms as set forth in the Uniform Financial Reporting Manual, issued by the Auditor of Public Accounts.

We conducted our review in accordance with the 2016 Quality Control Review Program for Audits of Local Governments, developed by the Auditor of Public Accounts. The review was limited to the audit of the City of Franklin, Virginia, and did not extend to any other engagements performed by your firm.

During our review, we noted the following deficiencies that the firm should address to further enhance the quality and effectiveness of its local government audits.

**Improve Test Work and Documentation to Comply with Uniform Guidance**

*Comment* – The Code of Federal Regulations §200.514 requires the auditor to obtain an understanding of internal controls sufficient to plan the audit to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program. In addition, when some or all of the compliance requirements for a major program are likely to be ineffective in preventing or detecting noncompliance, the auditor must report a significant deficiency or material weakness. We noted the auditor assessed control risk as moderate and did not report a deficiency or otherwise document how the test work was planned to support a low control risk. In addition, the risk assessment was not performed by compliance requirement. We also noted approximately \$145,000 of federal funds passed through from the state that was not included in the schedule of expenditures of federal awards nor were the funds subject to federal testing.

*Recommendation* – We recommend the firm exercise due professional care in complying with American Institute of Certified Public Accountants (AICPA) and federal standards when planning and documenting audit procedures for compliance audits.

**Improve Working Paper Documentation**

*Comment* – Government Auditing Standards and AICPA standards require that audit documentation contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from the audit documentation the nature, timing, and extent of audit procedures performed and the evidence that supports the auditor's significant judgments and conclusions. There were multiple instances in which the working papers did not sufficiently document sampling considerations and sampling results. In addition, there was not a clear linkage between control test work planned and performed.

*Recommendation* – We recommend the firm ensure it follows all applicable standards and the firm's policies when planning, performing and documenting audit test work. Specifically, we recommend the firm ensure the working papers clearly demonstrate the performance of audit planning and audit procedures required by the standards and document all required sampling considerations.

We found that for the audit of the City of Franklin, Virginia, for the year ended June 30, 2016, except for the deficiencies described above, the working papers appropriately supported the requirements listed in A through E above. Firms can receive a rating of pass, pass with deficiencies or fail. Creedle, Jones and Alga has received a review rating of pass with deficiencies.

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We discussed these matters with your firm on June 22, 2017. We will perform a follow up review in the coming year to ensure the firm has addressed the issues we noted during our review.

This report is intended for the information and use of management. However, it is a public record and its distribution is not limited.

Sincerely,

Martha S. Mavredes  
Auditor of Public Accounts

cc: City of Franklin  
City of Franklin Public Schools  
Virginia Board of Accountancy  
Virginia Society of Certified Public Accountants