



Report on FY24 Audit Delays, V2.0

Bradley Gotshall, County Administrator

December 3, 2025

Presented to the Board: December 11, 2025

Pursuant § 15.2-2511 of the Code of Virginia, "Localities shall have all their accounts and records, including all accounts and records of their constitutional officers, audited annually..." and "The certified public accountant shall present a detailed written report to the local governing body at a public session by the following December 31 (2024)." As of the release of this report (December 3, 2025), the County is 337 days late in compliance with this statute for the Fiscal Year 2024. The Finance/Audit Committee, upon the expression of Supervisor Jamieson, has directed reporting on the failures leading to such delay and lessons learned in pursuit of ensuring mitigation of future delays.

The hiring of the new County Administrator, Bradley Gotshall, presented an opportunity for an "outsider's perspective" on the audit process and current financial oversight systems. This report captures internal analysis as presented by the existing Finance Director, Alisa Scott, as well as an assessment by Mr. Gotshall over the course of his first two months in office (having started his role on September 11, 2025). This report is a compilation of those perspectives and recommendations for future actions.

NOTE: this report is written as a compilation of independent perspectives on the causes of the delayed audit product so as to give the reader the most comprehensive understanding of such delays. No one issue specifically contributed to a delay, but rather a multitude of both direct and indirect factors; understanding all of these underlying concerns is important contextually. This report is not written to provide a judgement determination on actions or inactions, but rather a contextual landscape.

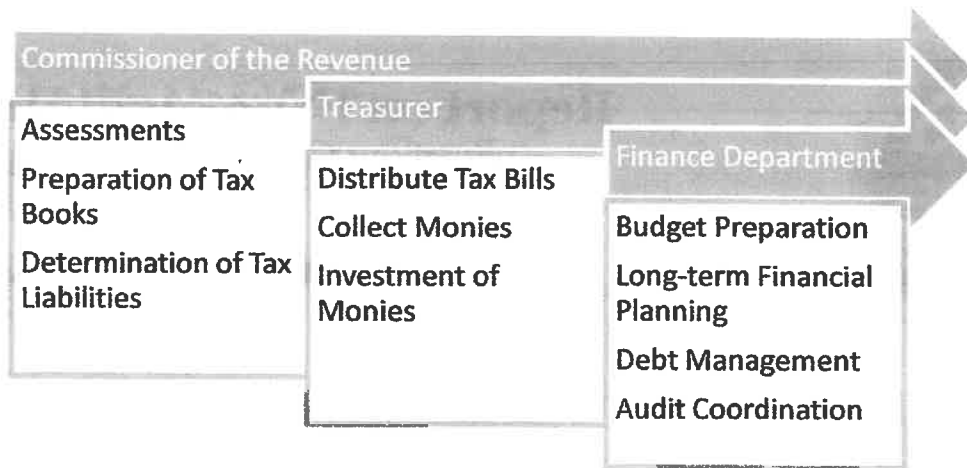
As of this report, the goal is to have completed the FY24 final audit by March 31, 2026.

Separation of Powers: Virginia Counties and Financial Oversight

In the Commonwealth of Virginia, the Commissioner of the Revenue, the Treasurer, and any central Finance Department are statutorily, structurally separated so that no single office assesses taxes and controls the cash, creating a basic form of checks and balances. This structure is intended to enhance transparency and reduce risk of error or misuse of funds by ensuring that tax base determination, cash collection, and overall financial administration are institutionally distinct.

BOARD OF SUPERVISORS

This 5-person body of individually, ward-elected officials select and appoints the County Administrator who is responsible for the daily oversight of County operations, the effective enforcement of County laws and policies, and the implementation of Board vision and long-term goals. The County Administrator selects, appoints, and is charged with oversight of the Finance Director and ensuring functions under their jurisdiction are properly carried out.



✓ FINANCE DEPARTMENT

Many counties in Virginia, including Warren, have created a central Finance Department to manage broader financial functions such as budgeting, long-term financial planning, debt management, accounting, and audit coordination.

Under several optional forms of government (of which Warren has not adopted), the Director of Finance may assume, by statute, the duties of either the Treasurer, the Commissioner of Revenue, or both. In those instances, however, legal duties (checks and balances) applying to the constitutional offices must be carried out by the Finance Department and may not simply be dispensed; internal controls – such as separation of accounting, cash management, assessment – remain required so that no single individual unilaterally controls these vital functions.

✓ COMMISSIONER OF THE REVENUE

The Commissioner of the Revenue is a state constitutional officer elected independently by the county voters to a 4-year term, serving as the chief local tax-assessing official. The office is responsible for discovering, classifying, and assessing taxable property and business activity, preparing the real estate and personal property tax books, and determining local tax liabilities.

The Commissioner does not handle the physical collection, custody, or investment of monies, preserving the functional separation from revenue collection and cash management as described hereinabove relative to internal controls.

✓ TREASURER

The Treasurer is a state constitutional officer elected independently by the county voters to a 4-year term. This office is legally distinct from the Commissioner of the Revenue; Virginia law does not allow the same person to hold both offices simultaneously.

The Treasurer's core role is to bill and collect local and certain state taxes and other revenues, maintain custody of public funds, invest those funds effectively, and disburse them as authorized by the local governing body.

The Effects of an Untimely Audit

There are a number of implications of a delayed audit, including remedial actions required by the Commonwealth, potential grant denials, credit rating failures, and more.

REMEDIAL ACTIONS

Pursuant § 15.2-2511 of the Code of Virginia, “If the audit is not completed as required by this section (presented by December 31, 2024), the locality shall promptly post a statement on its website...declaring that the required audit is pending, the reasons for the delay, and the estimated date of completion. Such statement shall also be posted and made available to the public at the next scheduled meeting of the local governing body and also be sent to the Auditor of Public Accounts. The statement shall continue to be posted and updated until the audit is complete. If a locality fails to post such notice or make such notice available to the public, any aggrieved person may proceed to enforce such action by filing a petition for mandamus to the general district court, supported by an affidavit showing good cause. The court, if it finds that a violation has occurred, may issue a writ of mandamus and impose a civil penalty of not less than \$500 nor more than \$2,000 against the locality, which amount shall be paid into the Literary Fund.” Furthermore, “In the event that a locality fails to obtain the annual audit prescribed by this subsection, the Auditor of Public Accounts may undertake the audit or may employ the services of certified public accountants and charge the full cost of such services to the locality.”

To date, the County has complied with the required posting of statements to its website as well as reports made to the Board of Supervisors at its public meetings.

CREDIT RATING WITHDRAWAL

Pursuant a 9/19/25 Rating Action, Moody’s Ratings withdrew the credit ratings of 35 different local governments, including Warren County, “due to a lack of sufficient information.” The press release goes on to explain that they “have decided to withdraw the rating(s) because we [Moody’s] believe we [Moody’s] have insufficient or otherwise inadequate information to support the maintenance of the rating(s).” The “lack of sufficient information” referenced by the rating agency is Warren County’s FY24 audit report.

While this withdrawal has no immediate tangible – financial or otherwise – impact, it does not signal a strong message within the municipal bond market generally for whenever we next attempt to issue bond debt or renew our rating. Additionally, for context, the rating agencies report hundreds of these rating withdrawals annually

Within this context of limited impact, it is also important to note that the County remains rated by two additional agencies, with a AA rating with S&P and a AA+ rating with Fitch: both very strong credit ratings.

LOSS OF FUNDING STREAMS

SAFER Grant Application

Earlier this year the County submitted a \$2.037MM funding request to the US Department of Homeland Security’s Staffing for Adequate Fire and Emergency Response (SAFER) grant program for the hiring of 12 new Fire & Rescue personnel. This SAFER round was funded through FY24 federal appropriation, with an expected total award of \$324MM, distributed beginning 08/25 and not later than 9/30/25.

Unfortunately, Warren County did not receive a favorable award, while some surrounding jurisdictions have, such as \$3.4MM to Shenandoah County, \$4.5MM to Fauquier County, \$874K to Winchester City, and \$1.6MM to Louisa County. Though not officially stated by the federal government, County staff through casual conversations with some in the know were told that we were not awarded the grant due to our outstanding audit delay. While this is anecdotal, it is worth reporting here.

Indirect Cost Recovery

Annually, Warren County receives reimbursement for certain indirect costs (that is, expenditures incurred for a joint purpose that benefit more than one cost objective) associated with supporting and administering federal

and state grant programs. The County has contracted with a firm known as Maximus US Services, Inc. to aid in compiling and submitting a Cost Allocation Plan prepared through a County-wide comprehensive user fee study.

The following is a breakdown of indirect costs as successfully recovered through this process: FY21: \$52K; FY22: \$61K; FY23: \$61K.

Through their annual contract, Maximus collects financial data from the County's departments related to shared and centralized expenses. In addition, they need the County's audited financial statements in order to reconcile and affirm data for submission to the Commonwealth. Without this completed, costs may not be recovered for FY24.

DEQ FINANCIAL ASSURANCE OBLIGATION CONTINUATION

Pursuant Virginia Financial Assurance Regulations for Solid Waste Disposal, Transfer and Treatment Facilities, the County is responsible for ensuring it is capable of fully complying with mandated post-closure monitoring and capital improvements/security projects. As part of this requirement, the County must annually report to the Virginia Department of Environmental Quality (DEQ) updated cost analysis and provide its assurance – through a process known as a local government financial test – that it is capable of meeting those financial demands.

Since 2018, however, the County's Annual Comprehensive Financial Reports (audit) have contained a disclaimer of opinion statement from our auditor, RFCA, due to the omission of financial statements for the EDA. This disclaimer of opinion made the County ineligible to use the local government financial test, so instead it needed to provide for a fully funded trust account to demonstrate financial assurance. This trust fund was established in the amount of \$777K.

In February of 2024, the County, through work of Litten & Sipe L.L.P., successfully petitioned the Commonwealth to suspend the requirement of a fully funded trust account and revert back to the simpler, no-cost local government financial test. This approval was given when the County was able to prove that "the EDA is a separate and distinct legal entity from the County" and that "the County is not liable for debt incurred by the EDA."

Presently, however, due now to the delay in completing the FY24 audit, we are being provided recommendation by our auditors, RFCA, to keep funded the \$777K trust fund until such time as a clean audit can be finally filed. Once this is done, Mr. Gotshall will approve moving forward with reverting the trust fund monies back to the General Fund or capital funds.

Summary Technical Review, *Alisa Scott, Warren County Director of Finance*

The following is a general technical review to the FY24 audit process, including timelines and issues, as presented by Mrs. Scott.

CURRENT ISSUES

- Timing Discrepancies: Revenues and expenditures are not consistently recorded in the correct accounting period. For example, revenue received in February is currently recorded in the financial system in August.
- Unrecorded Expenditures: Transfer expenditures from the general fund to the school and Department of Social Services funds are not currently being recorded in the financial system.

REQUIRED ACTION

How long has this occurred!

- Ensure all transactions (revenues and expenditures) are recorded in the general ledger in the same period they occur to facilitate accurate reconciliation and meet the audit deadline.

PATTERN

Since 2020, each audit identified one or more material weaknesses in financial reporting. Each audit since 2021 was submitted to the Auditor of Public Accounts after the December 15 deadline. Throughout these three years, there were six finance directors, John Montoro was the county's CPA for pre-audit services, and the county's independent auditor was Robinson, Farmer, Cox, and Associates (RFCA). The following is an enumeration of patterns discovered over the course of this timeframe.

2020-001 - Material Audit Adjustments Proposed by External Auditor

2020-002 - Inadequate Year-End Controls Over Capital Assets/Projects and Long-Term Obligations

2021-001 - Material Audit Adjustments Proposed by External Auditor issued April 22, 2022

2022-001 - Material Audit Adjustments Proposed by External Auditor issued March 15, 2023

2023-001 - Material Audit Adjustments Proposed by External Auditor, and

2023-002 - Inadequate Accounting, Financial Reporting, and Budgetary Review Throughout the Fiscal Year issued July 20, 2024

SITUATION

The county implemented new Software as a Service (SaaS) systems, including UKG/Kronos for HR/Payroll in 2022, that lacked an application programming interface (API) for direct communication with BAI (Bright), the county's legacy financial system. This oversight forced the finance director and staff to manually exchange and enter data, a process that strained resources and compounded existing issues such as persistent material weaknesses, audit delays, and high finance director turnover.

Ms. Shanks assumed the role of Treasurer in January 2024. Due to her lack of direct familiarity and experience with the position, the finance director requested that Jamie Spiker, previous Treasurer, remain employed in the Treasurer's office. This was to ensure that standard operating procedures could be developed, and staff could be trained in key responsibilities, such as bank statement reconciliation. Unfortunately, Ms. Spiker was only able to stay for a few additional weeks.

At the request of administration, finance, and the Treasurer, John Montoro agreed to assist the county in performing bank reconciliations in October of 2024.

The Treasurer's "Turnover Audit" (as required per §58.1-3136 of the Virginia Code of statutes), which is independently contracted through the Auditor of Public Accounts, and coincidentally by RFCA, was delayed and issued August 28, 2025. This delay was due in part to the HR/Payroll SaaS resource requirement for manual expenditure journal entries, a large amount of unclaimed property in treasurer's checks, and an RFCA delay after all information and signatures were provided by May 21, 2025. For John Montoro to begin reconciling the bank statements, he required the Treasurer's Turnover Audit and the ending balances of December 2023 for the beginning balances of January 2024.

DISCOVERY

Issuance of the final audit is schedule-dependent upon a balanced trial balance that ties to cash and the auditor's schedule. Issuance of a balanced trial balance that ties to cash is dependent upon reconciled bank statements. To meet the goal, the January – June 2024 bank statements need to be reconciled to the general ledger.

In accordance to Virginia Code §15.2-2511 - "If the audit is not completed as required by this section, the locality shall promptly post a statement on its website, if such website exists, declaring that the required audit is pending, the reasons for the delay, and the estimated date of completion" - the December 15, 2024, March 21, 2025, and June 12, 2025 emails and published audit delay notifications on the county website were issued by Finance Director Scott at the authorization of then County Administrator Edwin Daley, stating: "The reason for

the delay is due to a combination of factors, including the following: resource capacity restraints on the part of both Treasurer's Office and Finance and Purchasing internal staff when implementing software conversion."

BANK RECONCILIATION HISTORY

Jan. 2024 Treasurer Jamie Spiker completes December 2023;

Mar. 25, 2024 Supervisor Vicky Cook requests update from Treasurer for January – February 2024;

Jun. 2024 FY24 RFCA preliminary fieldwork;

Oct. 21, 2024 Status call with RFCA, John Montoro, and Treasurer;

Nov. 21, 2024 Status call follow-up and email: Treasurer determines task won't be completed until January 31, 2025;

Dec. 13, 2024 Finance Director agrees to assist Treasurer with reconciliation of January- June 2024 bank statements of cash account #'s 8443 and 2941. Treasurer retains revenue/collections reconciliations for same;

Jan. 27, 2025 FY24 RFCA final audit fieldwork;

Oct. 17, 2025 Status call: John Montoro will complete 8443 by October 31st, 2025. ClearPoint has made little progress on account 2941;

Oct. 17, 2025 Finance Director confirms Berry Dunn's interest in settling outstanding FY24 cash reconciliations for 2941 account.

Summary Contextual Review, Janice Butler Shanks, Warren County Treasurer

The following is a statement by the independently elected Warren County Treasurer:

"The Treasurer's Office is committed to continuing to implement corrective measures to improve and strengthen our financial operations. During my short tenure as Treasurer, it has become apparent that there have been long-standing systemic issues. We have identified internal control issues and are committed to a shared plan with Finance to move forward, ensuring that future accounting will be transparent and timely. The County was made aware of these concerns, specifically as they relate to reconciliations early in my tenure last year. The antiquated computer system from the 1980's is central to the challenges we face. I want to commend Alisa Scott and her staff for working diligently while undergoing multiple changes rather than ignoring them, all for the betterment of Warren County citizens. She is the sixth financial director in five years and has stepped up to the plate. I would like to commend my staff for also working tirelessly to implement changes in procedures to improve our overall operations. My team has taken on new responsibilities while cross-training. We are all committed to this task, and I am excited to be moving forward with a shared pathway. I am confident that these issues will be remedied with the help of Berry Dunn."

Summary Contextual Review, Bradley Gotshall, Warren County Administrator

The following is a general contextual review of the FY24 audit process and the failures of such system that have led to the delay, as interpreted and presented by Mr. Gotshall.

INDEPENDENT INTERVIEWS

Upon learning of the pressing issue of the delayed FY24 audit shortly after September 11, 2025, a series of

During this meeting, we gained a far better comprehensive understanding of what partners were engaged in what portion of the process, and the status thereof. Each partner was able to hear from the other as to the status and current roadblocks. Most importantly during this call, Berry Dunn was able to learn that additional help was needed on current cash bank reconciliation efforts, which in turn led to a follow up discussion with Finance Director Scott and subsequent proposal (to be considered by the BOS during their 11/12/25 public meeting).

Summary of Costs

The following is a breakdown of total costs for providing the end of year audit annually dating back to FY2020. Each year provides the cost proposal from RFC, the County's contracted external auditor, for providing the final Annual Comprehensive Financial Reports (listed as "RFC Proposal") as well as the actual total cost for those services and any pre-audit work performed by other contracted individuals or firms (listed as "Actual cost").

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|---|--|
| • <u>FY20 Timely Audit</u> | RFC Proposal \$50,000; Actual cost <u>\$50,000</u> |
| • <u>FY21 Audit delayed 128 days:</u> | RFC Proposal 51,500; Actual cost <u>\$68,395</u> |
| • <u>FY22 Audit delayed 90 days:</u> | RFC Proposal 53,045; Actual cost <u>\$61,988</u> |
| • <u>FY23 Audit delayed 218 days:</u> | RFC Proposal 71,350; Actual cost <u>\$107,703</u> |
| • <u>FY24 Audit currently delayed 316 days:</u> | RFC Proposal 73,490; Current cost \$90,912* |
| • <u>FY25 TBD</u> | RFC Proposal 77,970; Current cost \$42,000 |

**FY24 Current cost does not include the not-to-exceed \$100,000 Berry Dunn cash reconciliation project proposal to be presented to and considered by the BOS the evening of 11/12/2025, nor the final invoices from any work completed by ClearPoint or RFC.*

CRITICAL DEADLINES

- | | |
|---------------------|------------------------------|
| • October 24, 2025 | Berry Dunn receives all 2941 |
| • November 25, 2025 | Cash reconciled |
| • January 12, 2026 | FY24 RFCA final fieldwork |
| • March 31, 2026 | Final Audit Issued |

RECOMMENDATIONS

Warren County's audits from FY2021 through FY2023 show a **persistent internal control weakness in financial reporting**. While the **root causes** — primarily **staffing and procedural deficiencies** — were acknowledged and partially addressed, the recurrence of similar findings across three years demonstrates a **systemic need for stronger internal control design and consistent monitoring**.

Key improvement areas include:

1. **Formalized year-end close procedures** with checklists and responsibility assignments.
2. **Ongoing reconciliations throughout the fiscal year** rather than catch-up at year-end.
3. **Enhanced budgetary oversight** with regular management review of variances.

interviews were held with each of the contracted audit firms – ClearPoint; Robinson, Farmer, Cox Associates (“RFC”); and VML/VACO Finance. The nature of these interviews was independent of Finance Director Scott and Treasurer Butler Shanks, in pursuit of further unfiltered, independent analysis. Each of the interviews were held virtually. These interviews contained a series of direct questions and requests for unfettered opinions on the County’s systems and reasons for delay. It is important to note that feedback provided during these sessions was beyond the specific scope of any contracted auditing services, and should be treated as opinion, not part of the official audited financial statements. The following is a summary of the interviews, unidentified by speaker, so as to keep confidential the specific analysis of any one single firm and maintain good working relationships between the parties.

- ⑥ Warren County used to perform its own pre-audit work, which is now (during this FY24 project) being performed by contracted providers; there was general “surprise” when the County reached out for this supplemental, temporary work to be performed by an outside firm.
- ⑥ The County was late in seeking outside assistance – didn’t initially reach out to the firm until December 2024, and then again for final contracting in late June/early July.
- ⑥ There is general lack of core accounting/auditing understanding within the County’s organization (Finance Department and Treasurer’s Office), with no staff having educational background in this specific function. The Finance Department is understaffed and not specifically, educationally equipped at a critical time (EDA scandal, audit delays, generalized levels of public distrust within the County, and major changes to financial software in the works).
 - Note from Administrator Gotshall: the statement hereinabove is not indicative of the overall performance of existing Finance staff. It is, however, a factual statement about the County’s general lack of accounting/auditing staff and its contextual relevance to a specific point in time during which such expertise would greatly benefit the ongoing project.
- ⑥ One of the contracted firm’s “didn’t realize the County was as far behind in bank reconciliations as it was” when they agreed to the contracted services, leading to a lack of that firm’s ability to adequately and timely perform such services.

⑦ (⑥ “Cash is king”; “once bank reconciliations are one month behind, each month thereafter the delay is doubled.”

⑥ The Treasurer’s Office is still not performing a comprehensive role of bank reconciliations; though it seems to now have daily reconciliations under way, it is not routinely performing comprehensive monthly activities.

⑥ Until bank reconciliations are completed, RFC cannot complete their portion, auditing of the County’s financial statements and issuance of the final Annual Comprehensive Financial Report.

⑥ There is general confidence in the reporting and recording of expenditures, but a lack thereof on the revenue side.

○ We’ve “lost connection to what’s really in the bank.”

PROJECT MANAGEMENT

During one independent interview with the auditors – as presented above – it was noted that throwing more bodies at the problem simply won’t help; there needs to be more coordinated project management. To that end, we quickly convened a meeting of all audit partners, including ClearPoint, RFC, VML/VACO, Berry Dunn, the Finance Department, and the Treasurer’s Office.

4. **Cross-training and segregation of duties** in the Finance Department and Treasurer's Office.
5. **Ongoing interdepartmental collaboration** between the Finance Department, Treasurer's Office, and County Administrator's Office to ensure timely action on future delays, roadblocks, or issues; more routine check-in meetings.
6. **Implementation of internal control documentation** and monitoring SOPs formulated and approved/implemented by the Finance Department and Treasurer's Office jointly.

