

Town of Alberta

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

For the Six Month Period of October 31, 2016

Independent Accountant's Report on Applying Agreed-Upon Procedures

Mayor Diane B Ashley
Town of Alberta
Alberta, Virginia

We have performed the procedures enumerated below, which were agreed to by the Mayor solely to assist you in evaluating the adherence to acceptable procedures (prepared in accordance with the criteria specified therein) for the six months ending October 31, 2016. The employees and Mayor of the Town of Alberta are responsible for the cash receipts and disbursements reviewed for the period. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below for the purpose for which this report has been requested or for any other purpose.

General Fund Checking Account-Cash Receipts and Disbursements

Our procedures and findings regarding the cash receipts and disbursements of the General Fund for the six months ending October 31, 2016 are as follows:

1. We reviewed the minutes of the meetings of the governing body to determine if the minutes provided sufficient documentation for approval of expenditures.

We found that the minutes provided adequate detail and support of the budgeted disbursements, approval of a monthly bill list, and approval of contractual relationships between vendors and the Town of Alberta.

2. We inquired of the Town of Alberta's staff about whether the existing internal control structure was adequate to prevent or detect errors or fraud or if internal controls were in place to mitigate the risk.

The Town of Alberta has not completed documentation of its internal control procedures and policies to date. There are procedures in place that mitigate the risk of errors or fraud. The clerk prepares a list of monthly bills for approval by Council prior to preparing checks. The receipts and disbursements are entered into a third party's system (CPA Firm) by the clerk and the account is reconciled and reports are prepared by an independent CPA Firm. The register is made available via the website for public inspection.

An independent CPA firm conducted an audit and the internal control would have been assessed by the auditors.

3. We reviewed bank account reconciliations for the 6 months ending October 31, 2016 to determine that they were being prepared in a timely manner and that the bank statements/reports were complete and on hand

No exceptions were found as a result of applying the procedure.

4. We reviewed the procedures and records used to account for the receipts and disbursements of funds.

We determined that the clerk prepares and maintains documentation for the record of receipts which includes a copy of the check or cash received, receipts provided to customer, and other applicable documentation. In addition, electronic deposits of funds from the State were verified through an electronic record from the state website.

We determined that the clerk prepares and maintains documentation for the record of disbursements which includes a copy of the check, invoice, and other applicable documentation.

We determined that the above referenced documentation appears adequate to substantiate the receipts and disbursements. Contracts were available for review and information appears to be consistent with information reported to Council.

5. We mathematically recalculated the October 31, 2016 reconciliation and compared the resultant cash balance to the respective general ledger account balance.

No exceptions were found as a result of applying the procedure.

6. We selected a sample of cash disbursements and tested all material transactions and five random transactions per month for the following attributes: (a) determined that the amount recorded as disbursed agrees to adequate documentation; (b) verified that the amount, payee, date, and description agree to the vendor's invoice, contract and cancelled check, as appropriate; (c) approved by the Council for payment. Payroll is addressed in a separate line item.

No exceptions were found as a result of applying the procedures. Two questions arose. Three phone lines appear on the Verizon Bill. The clerk is researching one of the lines. The landscape expense was approved for \$6000.00 in the minutes for the period July 1, 2016 to June 30, 2017. While the amount paid to date is within the budget and not an exception, it appears that the budget item may need to be revisited as the fiscal year to date amount is \$3,695.00.

7. We agreed total collections reflected in the receipts journal to cash deposits.

No exceptions were found as a result of applying the procedure.

8. We reviewed and determined whether there are sufficient records on hand to document the wages paid to employees. For a sample of two payroll checks for each of the three hourly employees, the employee's hours worked per payroll register agreed to the employee's time sheet, and the pay rate agreed to the file or approved wage.

No exceptions were found in applying the procedure for the two clerks; however, the police officer was paid 32 hours consistently. In one sample, the hours on the time card were available and fell short of the 64 hours paid. The clerk noted the discrepancy in the file. In the second sample, there were two time cards not filled out attached and the standard 32 hours a week were paid. A report was turned in at the end of the month for the tickets, arrests, etc. for substantiation.

The clerk is inputting the hours and the payroll is prepared by an independent CPA firm.

9. We reviewed and determined if quarterly reports on salary withholdings were filed in a timely manner with state and federal governments.

The quarterly reports were on file and prepared by an independent CPA firm. Reports appear to be timely filed.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying findings. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Mayor and the Council of the Town of Alberta and is not intended to be and should not be used by anyone other than these specified parties.

Corbin H. Pulliam CPA

South Boston, Virginia
November 30, 2016

Corbin H Pulliam CPA

3046 Bill Tuck Highway
South Boston, Virginia 24592
434-575-8363

November 5, 2016

Mayor Diane B Ashley
Town of Alberta
136 West First Avenue
PO Box 157
Alberta, Virginia 23821

Re: Agreed-upon Procedures

Dear Mayor Ashley:

This letter confirms our mutual understanding with respect to the engagement of Corbin H Pulliam CPA (hereinafter "Firm") by Town of Alberta (hereinafter "Client") to provide professional services in connection with the agreed-upon procedures detailed below, to specify the terms of our engagement and to clarify the nature and extent of the services we will provide. The term "client" includes the "client" and its management.

We will apply the agreed upon procedures which the Client has specified in the listing below. This engagement is solely to assist the Client with verifying due diligence by the interim management and will be conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Client. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which the report has been requested or for any other purposes. 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 we will not issue a report as a result of this engagement.

Our engagement to apply agreed-upon procedures will be performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested 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.

Our engagement will be designed to perform the following agreed-upon procedures:

Examples of procedures:

1. We will review the minutes of the meetings of the governing body to determine if the minutes provided sufficient documentation for approval of expenditures.

2. We will inquire of the Town of Alberta's staff about whether the existing internal control structure was adequate to prevent or detect errors or fraud or if internal controls were in place to mitigate the risk.
3. We will review bank account reconciliations for the 6 months ending October 31, 2016 to determine that they were being prepared in a timely manner and that the bank statements/reports were complete and on hand.
4. We will review the procedures and records used to account for the receipts and disbursements of funds.
5. We will mathematically recalculate the October 31, 2016 reconciliation and compare the resultant cash balance to the respective general ledger account balance.
6. We will select a sample of cash disbursements and test all material transactions and five random transactions per month for the following attributes: (a) determine that the amount recorded as disbursed agrees to adequate documentation; (b) verify that the amount, payee, date, and description agree to the vendor's invoice, contract and cancelled check, as appropriate; (c) verify approval for payment.
7. We will agree total collections reflected in the receipts journal to cash deposits.
8. We will review and determine whether there are sufficient records on hand to document the wages paid to employees. For a sample of two payroll checks for each of the three hourly employees, the employee's hours worked per payroll register will be compared to the employee's time sheet, and the pay rate agreed to the file or approved wage.
9. We will review and determine if quarterly reports on salary withholdings were filed in a timely manner with state and federal governments.

Our engagement is limited in scope and will be confined to our agreed-upon procedures. We have no obligation to perform any procedures beyond those listed above. We will not be conducting an audit or review of the financial statements of the Client, and therefore we will not express an opinion or any other form of assurance on them.

At the end of our engagement, we will submit a report listing the procedures performed and our findings. The report is intended solely for the use of the Mayor and should not be used by anyone else for any other purpose. Our report will include a statement indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Accordingly, using this report for anything other than the original intent of the agreed-upon procedures could mislead the readers. You must notify us immediately if the original users of the report change.

The client shall upon the receipt of written notice indemnify and hold the firm and its affiliates, and their partners, principals, and personnel, harmless against all costs, fees, expenses, damages, and liabilities associated with any third-party claim arising from or relating to any misrepresentation to firm by the Client or the withholding or concealment of information from the firm by the client. In addition, the Client shall upon receipt of written notice indemnify and hold the firm and its affiliates, and their partners, principals and personnel, harmless against all punitive damages associated with any third-party claim arising from or relating to: (i) any services, work product, or deliverables from the firm that the Client or its management uses or discloses to others; or (ii) this engagement generally. The terms of this paragraph shall apply regardless of the nature of any claim asserted (including those arising from contract law, statutes, regulations, or any form of negligence of the Client, whether arising out of tort, strict liability, or otherwise) and whether or not the firm was advised of the possibility of the damage or loss asserted. These terms shall also continue to apply after any termination of this agreement by either party and during any dispute between the parties.

With respect to any services, work product, or other deliverables hereunder, or this engagement generally, the firm's liability to the Client shall in no event exceed the fees that it receives for the portion of the work giving rise to liability, nor shall the firm's liability include any special, consequential, incidental, or exemplary damages or loss, including any lost profits, savings, or business opportunity.

The limitation on liability provisions of this engagement letter will apply to the fullest extent of the law, whether in contract, statute, tort (such as negligence), or otherwise. The parties' agreements and undertakings contained in this engagement letter, such as those pertaining to the limitation on liability, will survive the completion or termination of this engagement. The parties agree that their rights and obligations hereunder will be construed and governed under the laws of the Virginia.

Either party may terminate this engagement, with or without cause, by providing written notice to the other party. In the event of early termination for any reason, the client will be invoiced and agrees to remit payment for time and expenses incurred up to the end of the notice period together with reasonable time and expenses incurred to bring the engagement to a close in a prompt and orderly manner. Neither the client nor the firm shall have any liability to the other for any loss or consequential damage arising from early termination by either the client or the firm.

Corbin Pulliam CPA is the engagement partner for the services specified in this letter. Her responsibilities include supervising Firm's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the report.

Our engagement cannot be relied upon to disclose errors, irregularities, or illegal acts, including fraud or defalcations, which may exist. However, we will inform you of any such matters that come to our attention. Further, our engagement is not designed to provide assurance on internal controls or to identify reportable conditions, that is, significant deficiencies or material weaknesses in the design or operation of internal control. Accordingly, we have no responsibility to identify and communicate significant deficiencies or material weaknesses in your internal control as part of this engagement, and our engagement cannot be relied upon to disclose the same. However, during the procedures, if we become aware of such reportable conditions, we will communicate them to you.

By your signature below, you acknowledge that you are responsible for management decisions and functions. That responsibility includes designating qualified individuals with the necessary expertise to be responsible and accountable for overseeing all the services we perform as part of this engagement, as well as evaluating the adequacy and results of the services performed. You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities.

We plan to begin our procedures on approximately November 10, 2016 and, unless unforeseeable problems are encountered, the engagement should be completed by November 30, 2016. To facilitate the timely completion of the engagement contemplated in this letter, you authorize us to send to or receive from you certain information, including correspondence via electronic means (i.e., email, Sharefile, etc.). This authorization extends to the electronic transmission of information to or from any third parties we may engage to assist us in the completion of the engagement. The text of such correspondence, as well as any attachments thereto such as draft or final financial statements or other documents, may contain information of a sensitive nature. We represent to you that we have made a good faith effort to ensure that the security of our information technology infrastructure and our policies and procedures for handling client information meet customary standards. However, due to the inherent limitations of currently available security systems, we cannot provide absolute assurance that any information transmitted to or from us via electronic means will not be compromised as a result of unauthorized access to our files. As such, you agree to hold us harmless with respect to any loss you may suffer as a result of such compromise.

All documentation for this engagement remains the property of firm and constitutes confidential information.

All information you provide to us in connection with this engagement will be maintained by us on a strictly confidential basis. In the event we receive a subpoena or summons requesting that we produce documents from this engagement or testify about the engagement, we will notify you prior to responding to it if we are legally permitted to do so. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate to protect information from discovery. If you take no action within the time permitted for us to respond or if your action does not result in a judicial order protecting us from supplying requested information, we may constitute your inaction or failure as consent to comply with the request. Time incurred in connection with subpoenas, and/ or other related legal matters involving you, and or your account(s), will be billed at our normal per diem rates.

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

Our fees for this work will be at our regular hourly rates for the individual's involved plus direct out-of-pocket expenses. Payment for service is due when rendered and interim billings may be submitted as work progresses and expenses are incurred. Billings become delinquent if not paid within ten days of the invoice date

At the conclusion of this engagement, we will return all original records you supplied to us. Your company records are the primary records for your operations and comprise the backup and support for your financial reports and tax returns. Our records and files are our property and are not a substitute for your own records. Our firm destroys our client files and all pertinent work papers after a retention period of 7 years, after which time these items will no longer be available. Catastrophic events or physical deterioration may result in our firm's records being unavailable. You should make and retain copies of original records given to us which may be needed after our retention period (e.g. basis information, agreements). By your signature below, you acknowledge and agree that upon the expiration of the 7 year period the firm shall be free to destroy our records relating to this engagement.

The party signing this engagement letter authorizes and represent that they have the legal authority to bind the Client listed on this contract. All parties to this agreement acknowledge and agree that facsimile, electronic and multi-party signatures used to execute this document will legally bind each party to the terms of this agreement.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. 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.

We are looking forward to working with you on this engagement.

Very truly yours,

Corbin H. Sullivan

Certified Public Accountant

APPROVED AND AUTHORIZED:

