INDEPENDENT AUDITORS’ MANAGEMENT LETTER COMMENTS

To the Honorable Board of County Commissioners
of Washington County, Florida
Chipley, Florida

We have audited the accompanying financial statements of Washington County, Florida, Board of County Commissioners (the “Board”) as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated June 19, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. We have issued our Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards, Independent Auditors’ Report on Compliance and Internal Control Over Compliance Applicable to Each Major Program and State Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated June 19, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors’ reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report except as noted under the heading “Prior Year Findings and Recommendations.”

- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Board complied with Section 218.415, Florida Statutes.

- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any findings and recommendations that improve financial management. In connection with our audit, we disclosed the following recommendations:
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PRIOR YEAR FINDINGS AND RECOMMENDATIONS

**COMMENT ML 05-01:** It was noted during the audit that there are no written accounting policies and procedures. While existing cross training would allow accounting functions to continue in the absence of the person assigned to the duty, it would be helpful to have the procedures in writing.

RECOMMENDATION: We recommend that accounting policies and procedures for all offices be compiled to document the Board’s authorized reporting and recording methods.

STATUS: This item has not been corrected, however, the Board’s personnel feel that cross training is adequate.

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but, more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we disclosed the following finding:

CURRENT YEAR FINDINGS

**COMMENT ML 11-01:** It was noted that check requests are not always fully documented.

RECOMMENDATION: We recommend all check requests be appropriately documented.

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

**COMMENT ML 05-02:** It was noted that documentation of personal and/or business use of automobiles does not appear to be in accordance with Internal Revenue Service regulations (Publication 535). Internal Revenue Service requires strict recordkeeping including the separation of business and personal use of vehicles.

RECOMMENDATION: We recommend that the County follow the Internal Revenue Service guidelines governing reimbursement of business use of personal vehicles and proper treatment of personal use of Board’s vehicles.

STATUS: This item has not been corrected.
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PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

COMMENT ML 05-03: The County needs to improve their controls over credit cards issued to employees for the purchase of fuel and general items. The issuance of these cards should be monitored closely to prevent unauthorized use and provide for early detection of potential misuse.

RECOMMENDATION: We recommend the County implement additional controls for more closely monitoring the use of all types of County issued credit cards.

STATUS: This condition continues to exist.

➢ Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This item is disclosed in the notes to the Financial Statements.

➢ Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Board did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

➢ Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Washington County, Florida for the fiscal year ended September 30, 2011, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in agreement.
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Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management’s responsibility to monitor the Board’s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of the Washington County, Florida, Board of County Commissioners and management, and the State of Florida Auditor General and appropriate federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

June 19, 2012