



Prince William County, Virginia Internal Audit Report on the Remediation of FYE June 30, 2016 Finding 2016-001 related to Internal Controls over Financial Reporting - Unearned Revenue and Deposits & Escrow

December 1, 2017





TABLE OF CONTENTS

Transmittal Letter	1
Executive Summary	2
Background	5
Objective and Approach.....	8



TRANSMITTAL LETTER

December 1, 2017

The Board Audit Committee of
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Pursuant to the internal audit plan through calendar year 2017 for Prince William County, Virginia (“County” / “PWC”), approved by the Board of County Supervisors (“BOCS”), we hereby present the internal audit of the remediation of finding 2016-001 Internal Controls over Financial Reporting - Unearned Revenue and Deposits & Escrow noted in the fiscal year ended June 30, 2016 Comprehensive Annual Financial Report (“CAFR”). We will be presenting this report to the Board Audit Committee of Prince William County at the next scheduled meeting on February 6, 2018.

Our report is organized into the following sections:

Executive Summary	This provides a high-level overview and summary of the results, procedures implemented by the County, and improvement opportunities noted in our internal audit of the County’s remediation of finding 2016-001 Internal Controls over Financial Reporting - Unearned Revenue and Deposits & Escrow noted in the fiscal year ended June 30, 2016 CAFR.
Background	This provides an overview of the County’s material weakness as noted by the external auditors in the fiscal year ended June 30, 2016 CAFR, as well as relevant background information related to unearned revenue and deposits & escrow accounts and balances.
Objective and Approach	The objective of this internal audit is expanded upon in this section, as well as a review of our approach.

We would like to thank the staff and all those involved in assisting our firm with this internal audit.

Respectfully Submitted,

RSM US LLP

Internal Auditors



EXECUTIVE SUMMARY

Background

The County's external auditors, Cherry Bekaert, LLP, reported a material weakness in internal controls over the recording and monitoring of monetary proffers and developer bonds (deposits & escrow liabilities) in the County's CAFR for the fiscal year ended June 30, 2016. As a result of this material weakness, management subsequently requested an internal audit of the proffers and developer bonds (deposits & escrow liabilities) balances, and the Board Audit Committee of Prince William County approved the audit as an addition to the internal audit plan. Proffers and developer bonds (deposits & escrow) are separate accounts and processes. They are included together in this report as it relates to the reported material weakness.

Proffers

A "proffer" is a voluntary offer of an action to be taken by a developer for consideration during a rezoning request to the local governing body that is designed to mitigate the impact of the rezoning and/or development to the surrounding area. Once approved by the local governing body, the proffered action is a legally bound requirement for the developer pursuant the Code of Virginia.

Developer Bonds

Developer bonds (deposits & escrow liabilities), also known as performance bonds, are either cash or surety insurance guarantees to a municipality from developers to which specific actionable requirements will be met or the developer forfeits the bond on deposit or the surety must pay the bonded amount.

Proffers and developer bonds (deposits & escrow liabilities) are separately monitored and tracked in the EnerGov subsidiary ledger (permitting and land ma Department of Development Services ("DDS"), respectively. The separate financial statement accounts denoting the cash in reserve for the monetary proffers and developer bonds (deposits & escrow liabilities) are maintained in the Ascend Enterprise Resource Planning financial management system general ledger and monitored by the Finance Department's Financial Reporting and Control Division ("FRC"). In July 2016, the County replaced its financial management software, Performance, with Ascend.

Objectives, Scope and Results

The objective of this internal audit was designed to test the completeness and accuracy of proffer and developer bond (deposits & escrow liabilities) balances separately recorded in the EnerGov subsidiary ledger and the Ascend general ledger (in relation to EnerGov).

There are four (4) departments/divisions, Planning, DDS and the Finance Department's Financial Reporting and Control Division ("FRC") and Treasury Management Division, involved in the proffers and developer bonds (deposits & escrow liabilities) recording, tracking, and assignment processes. We worked with all three to test and understand the process and remediation.

We performed detail testing over the completeness and accuracy assertions of the individual balances of monetary proffers and developer bonds (deposits & liabilities) as recorded in EnerGov. Based on our testing, the balances of monetary proffers and developer bonds (deposits & escrow liabilities) balances in EnerGov appear to be correct.

At the fiscal year ended June 30, 2017, there were material differences between the individual balances of cash proffers and developer bonds (deposits & liabilities) in EnerGov versus the individual balances recorded in Ascend as follows:

Fiscal Year 2017	EnerGov	Ascend	Difference
Cash Proffers – June 30 2016 reconciliation adjustment	\$ 45,599,052	\$ 47,143,409	\$ 1,544,357
Cash Proffers – June 30 2017 reconciliation adjustment	\$ 40,992,964	\$ 42,283,727	\$ 1,290,763
Developer Bonds (deposits & escrow liabilities)*	\$ 27,981,707	\$ 26,501,021	\$ (1,480,686)
Total Adjustment – overage/(shortage)			\$ 1,354,434

*This reflects cash deposits on-hand only, not all developer bonds.

As of June 30, 2016 and June 30, 2017, cash proffers were over-reserved as compared to EnerGov, and as of June 30, 2017, developer bonds (deposits & escrow liabilities) were under-reserved. A net \$1,354,434 over-reservation of cash on hand existed at June 30, 2017. The County has adjusted the balances recorded in the separate Ascend general ledger accounts to match the balances of the separate EnerGov subsidiary ledger monetary proffers account(s) and developer bonds (deposits & escrow liabilities) account(s).



EXECUTIVE SUMMARY – CONTINUED

County Remediation

The County has implemented various procedures into the process in order to remediate the material weakness over the recording and monitoring of monetary proffers and developer bonds (deposits & escrow liabilities). Enhancements to the process are summarized below.

- Prior to the material weakness, the daily total of cash proffers and developer receipts was entered into Performance by the Tax Administration Division, within the Finance Department, as one lump-sum total entry, based upon the deposits provided by DDS. The County implemented a new process whereby each day, the deposits for monetary proffers are manually entered into Ascend, in detail, by a supervisor or designee in DDS who ensures all applicable tracking data for the individual cash proffer amount is included. The daily deposit amounts are tracked on a manual tracking spreadsheet by DDS. At the end of each month, the activity for the month is reconciled between the EnerGov subsidiary ledger and Ascend general ledger by DDS utilizing the manual tracking spreadsheet to review for continuity. We performed a walk-through of the monthly reconciliation, noting no exceptions.
- Assignment of monetary proffers after BOCS approval via resolution are recorded by Planning in EnerGov and by FRC in Ascend. Both Planning and FRC utilize the BOCS resolution to record the appropriate assignment. A reconciliation of the recording of assignments of monetary proffers in the EnerGov subsidiary ledger and Ascend general ledger was not historically performed. Planning will work with FRC in reconciling EnerGov with Ascend on a quarterly basis by running monthly reports and reconcile quarterly the EnerGov information, which will include the assignment of monetary proffers. Planning will provide this quarterly EnerGov reconciliation to FRC to be reconciled with Ascend. We did not review this quarterly reconciliation, but will include it with future follow-up.

We reviewed the design of the internal controls the County has put into place and feel comfortable they will reduce the risk and thus, mitigate the control finding 2016-001 noted by the external auditors in the FYE June 30, 2016 CAFR.

Improvement Opportunities and Recommendations

1. Changes to EnerGov

The County replaced its previous permitting and land management software with EnerGov November 2014. Through discussion with departments we worked with, it was noted that the Finance Department was not involved with the implementation of this software.

We recommend that appropriate representatives from the Finance Department be involved with:

- Future configuration changes to EnerGov that would affect the balances; and
- Replacement of EnerGov with another permitting and land management software system.

The inclusion of the Finance Department with the above scenarios would increase collaboration and synergy with heightened awareness of internal controls over financial reporting, which reduces the risk of inaccuracy of account balances that are ultimately recorded in the general ledger.



EXECUTIVE SUMMARY – CONTINUED

Improvement Opportunities and Recommendations – Continued

2. Records Retention Policy and Maintenance

During our testing for this internal audit, the County was unable to provide supporting documentation for the following:

- Proffers – The County was unable to provide the following supporting documentation:
 - Deposit records for cash deposits prior to July 1, 2008 are not available. Thirty-four (34) recorded monetary proffers selected for testing were prior to July 1, 2008.
 - BOCS appropriation detail for four (4) of the samples.
- Developer bonds (deposits & escrow liabilities) – Bond documents for three (3) of 58 developer bonds sampled. The sample selection was expanded from 58 to 106 in order to achieve a 95% confidence level of the balances in EnerGov.

On September 5, 2017, the Board Audit Committee of Prince William County accepted the Internal Audit Report – Records Retention and Public Requests. This report identified four (4) moderate rated reportable observations over the design of the records retention and public requests process. The above identified lack of supporting documentation is an indicator that there are deficiencies in the operating effectiveness over records retention and that further enhancement is needed in the near term.

3. Integration Between EnerGov and Ascend

The EnerGov system utilized to track all proffers and developer bonds (deposits & escrow liabilities) is not integrated with the Ascend general ledger. As a result, Planning and the DDS must rely on manual controls and duplicate input to reconcile the activity between the subsidiary ledger and the general ledger. Manual controls and duplication of input data between the EnerGov subsidiary ledger and Ascend general ledger increases the risk of errors and requires significantly more work-hours as compared to systems that are integrated or have a programmed crosswalk for information to be uploaded from one system to another. Eliminating manual processes and duplication of efforts can save significant amounts of employee time improving productivity and morale as mundane tasks are removed from employees' daily routines.

We recommend that the County explore the ability to integrate or develop and implement a programmed crosswalk (tailored algorithm) of data/information between the two systems. This would eliminate multiple levels of duplicate input including the elimination of input of monetary proffer assignment by FRC, input of daily deposit activity into Ascend by DDS, daily reconciliation between the systems by DDS, and the need for a monthly or on-occurrence reconciliation of monetary proffer assignments by Planning. Even with integration, we still recommend the newly implemented monthly and quarterly reconciliations between the EnerGov subsidiary ledger with Ascend general ledger to monitor accuracy and completeness of data within the Ascend general ledger.

4. Proffer Tracking in the EnerGov Subsidiary Ledger

Proffers are established and assigned based on BOCS resolution. As rezoning applications are initially approved, all proffers related to the project, monetary and nonmonetary, are manually input into EnerGov by Planning. Currently, there is one (1) employee responsible for input of all proffer requirements related to each project as they come in from BOCS resolution. The input is based on the documentation provided from the specific BOCS resolution. We noted that there is no review of the input of proffer information into EnerGov. A lack of input review can result in Planning missing proffer requirements and the potential for issuances of permits without all requirements being met.

We recommend that a formal, documented review of the proffer requirements manually input into EnerGov by Planning be performed to monitor that all relevant data is complete and accurate in the EnerGov subsidiary ledger. Evidence of review should be recorded and retained. The review should be performed by someone with an adequate level of the skills, knowledge, and experience of proffers. We also recommend that formal policies and procedures be adopted and documented regarding this review of EnerGov inputs and associated reconciliation and review tasks.



BACKGROUND

Proffers

A “proffer” is a voluntary offer of an action to be taken by a developer for consideration during a rezoning request to a local governing body that is designed to mitigate the impact of the rezoning and/or development to the surrounding area. Once approved the local governing body, the proffered action is a legally bound requirement for the developer pursuant to the Code of Virginia. Prior to July 1, 2016, proffers could include cash payments to the County that were bound to a specific impact including:

- Cultural Resources
- Environment
- Fire & Rescue
- Housing
- Libraries
- Parks, Open Space and Trails
- Public Facilities
- Schools
- Transportation

After July 1, 2016, cash proffers are still accepted for non-residential projects.

Cash proffers could also be for the general improvement of the County's infrastructure as approved by the BOCS.

On July 1, 2016, Code of Virginia Section 15.2-2303.4 became law, effectively limiting proffers for rezoning to specifically attributable impacts to transportation, schools, public safety, and parks caused by the rezoning request. Code of Virginia Section 15.2-2303.4 effectively ended the approval of new cash proffers with limited exceptions. However, residential only proffer statements executed prior to July 1, 2016 are still valid; therefore, the responsibility for monitoring collection and disbursement of outstanding cash proffers still exists for the County's Planning Office. Planning also tracks the escalation of monetary proffers.

The County's Planning Office tracks both monetary and nonmonetary proffers in the County's permitting software, EnerGov. Data entry into EnerGov requires manual input. EnerGov tracks each zoning case and the individual proffer amount and requirements legislated for that case. For the monetary proffers, EnerGov tracks the original agreed-upon amount, the amount collected, the balance due, the amount disbursed and the funds available for appropriation by the BOCS separated by specific impact as agreed-upon in the original rezoning approval.

During the budgeting process, Planning assigns specific proffers to ongoing or new projects for approval by the BOCS. Once the appropriations are approved by the BOCS, the specific proffer amounts are then “disbursed” from the specific zoning case and proffer ID from the EnerGov system. The actual cash for the monetary proffers are collected by DDS and maintained by the Treasury Management Division, within the Finance Department. Treasury Management maintains the cash in the County's general bank account. FRC tracks the appropriate amounts through separate general ledger accounts in the County's Ascend system.

Upon appropriation by the BOCS, FRC is responsible for transferring the funds from the applicable proffer account to the appropriate fund and/or account within Ascend.

The execution and monitoring of nonmonetary proffers in EnerGov is performed by the specific department for which the proffer relates. For example, a proffered improvement to the County's storm water system would be monitored by the Department of Public Works, while a proffered improvement to a roadway intersection would be monitored by the Department of Transportation.

Each monetary and nonmonetary proffer have a “triggering event” built into the permitting process. For example, specific transportation, school or park proffers may not be required until a certain number of residential units have received a certificate of occupancy for an apartment complex. Once all proffers are executed and completed, bonds related to nonmonetary proffers are assigned.



BACKGROUND – CONTINUED

Developer Bonds (Deposits & Escrow Liabilities)

Developer bonds are either cash or surety insurance guarantees to a municipality from developers that specific actionable requirements will be met. Otherwise, the developer forfeits the bond on deposit or surety must pay the bonded amount. The actionable requirements of the developers can include nonmonetary proffers, however are typically related to storm water management or water/sewer extension requirements placed on the developer in the rezoning and/or permitting process.

The balance of developer bonds (deposits & escrow liabilities) amounts (including sureties) are tracked in the EnerGov system. EnerGov tracks each zoning case and individual bond requirements. For cash-collected bonds, EnerGov tracks the plan name, developer, case number, bond amount, amount assigned and the outstanding bond balance. Data entry into EnerGov requires manual input. Unlike cash proffers, developer bonds are typically required to be posted on the front end of a development project and therefore are not incrementally collected throughout different phases of development. Once certain development milestones have been met, all or part of the bond may be released back to the developer.

DDS is responsible for tracking the developer bonds (deposits & escrow liabilities) in the EnerGov system. DDS is also responsible for the daily collection of funds for developer bonds (deposits & escrow liabilities). Treasury Management is responsible for maintaining the appropriate cash funds for the outstanding cash bond amounts. FRC is responsible for tracking the total bonded cash amount in the Ascend general ledger through the use of separate accounts.

Fiscal Year Ended June 30, 2016 Material Weakness

The County's external auditors, Cherry Bekaert LLP, reported a material weakness in internal controls over the recording and monitoring of monetary proffers and developer bonds (deposits & escrow liabilities) in the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

Finding 2016-001: Material Weakness in Internal control over Financial Reporting - Unearned Revenue and Deposits & Escrow

Criteria: In order to prepare financial statements in accordance with generally accepted accounting principles (GAAP), accurate and complete records must be maintained to support the existence and valuation of assets to ensure an accurate presentation of the financial position of the County at the end of the year.

Condition: Internal control processes were not properly designed or implemented to ensure accuracy of unearned revenues and the deposits & escrow account balances and activity. As a result, during testing we noted that the unearned revenue and deposits & escrow liabilities were not properly reconciled or supported. This resulted in an understatement of the deposits & escrow liability and an overstatement of the unearned revenue balance.

Cause: Internal controls were not properly designed and no reconciliation procedures were in place to ensure the accuracy of the unearned revenue and deposits & escrow liabilities.

Effect: The aggregate net uncorrected overstatement in the current year ending unearned revenue balance was \$1,544 and an aggregate net uncorrected understatement in the current year ending deposits & escrow balance was \$1,511. (Note: amounts are in 000s)

Repeat Finding: The finding is not a repeat finding in the prior year.

Recommendation: We recommend that the internal controls for managing unearned revenues and deposits & escrow be strengthened to ensure that they properly supports these balances reported in the financial statements and an appropriate reconciliation process be implemented.



BACKGROUND – CONTINUED

Fiscal Year Ended June 30, 2016 Material Weakness – continued

Views of responsible officials and planned corrective action: Management concurs with Finding 2016-001. The Finance Department will work with the Office of Planning (Planning) and the Department of Development Services (DDS) to reconcile the proffers (unearned revenue), escrows and performance bonds (deposit & escrow). After reconciling the individual accounts, Finance will adjust the Ascend financial system balances (general ledger), accordingly, to agree with the EnerGov (subsidiary ledger). On a monthly basis Planning and DDS will continue to maintain and reconcile the balances in EnerGov with Ascend. Finance Department staff will review the reconciliation on a quarterly basis. In addition, at the request of management, the Board Audit Committee added an internal audit of proffers, deposits and escrows to the FY 2017/FY 2018 Audit Plan.

EnerGov vs. Ascend Discrepancies

At the fiscal year ended June 30, 2017, there were material differences between the individual balances of cash proffers and developer bonds (deposits & liabilities) in EnerGov versus the individual balances recorded in Ascend as follows:

Fiscal Year 2017	EnerGov	Ascend	Difference
Cash Proffers – June 30 2016 reconciliation adjustment	\$ 45,599,052	\$ 47,143,409	\$ 1,544,357
Cash Proffers – June 30 2017 reconciliation adjustment	\$ 40,992,964	\$ 42,283,727	\$ 1,290,763
Developer Bonds (deposits & escrow liabilities)*	\$ 27,981,707	\$ 26,501,021	\$ (1,480,686)
Total Adjustment – overage/(shortage)			\$ 1,354,434

*This reflects cash deposits on-hand only, not all developer bonds.

As of June 30, 2016, cash proffers were over-reserved as compared to EnerGov. The County made an adjustment in Ascend reducing the reservation by \$1,544,357 as of July 2016. As of June 30, 2017, cash proffers were over-reserved by an additional \$1,290,763, and developer bonds (deposits & escrow liabilities) were under-reserved by \$1,480,686. Including the adjustment made in July 2016, a net \$1,354,434 over-reservation of cash on hand existed at June 30, 2017. Below is a listing of account numbers and descriptions and balances in Ascend utilized in our calculation of the Ascend balances:

Proffers Accounts		Number	Name	Balance
1007.00.000.0000.20940.000.0000.0000.0.0000	Transportation			9,647,747
1007.00.000.0000.20945.000.0000.0000.0.0000	Schools			16,362,271
1007.00.000.0000.20950.000.0000.0000.0.0000	Parks & Recreation			6,819,140
1007.00.000.0000.20955.000.0000.0000.0.0000	Drainage			137,383
1007.00.000.0000.20960.000.0000.0000.0.0000	Public Facility/Service			136,803
1007.00.000.0000.20965.000.0000.0000.0.0000	Fire & Rescue			4,750,824
1007.00.000.0000.20970.000.0000.0000.0.0000	Libraries			2,241,681
1007.00.000.0000.20975.000.0000.0000.0.0000	Affordable Housing			1,823,175
1007.00.000.0000.20980.000.0000.0000.0.0000	Commuter Parking Lot/Transit			349,402
1007.00.000.0000.20985.000.0000.0000.0.0000	Curation			15,300
	Total			42,283,726

Bonds & Escrows Accounts		Number	Name	Balance
1001.00.000.0000.26235.000.0000.0000.0.0000	Developers Escrow			-
1001.00.000.0000.26240.000.0000.0000.0.0000	Soil Escrow Account			10,972,200
1001.00.000.0000.26245.000.0000.0000.0.0000	Cash Performance Bond Deposit			3,793,196
1001.00.000.0000.26260.000.0000.0000.0.0000	Trash Haulers Bond Deposit			-
1001.00.000.0000.26265.000.0000.0000.0.0000	Future Road Completion Acct Escrow			8,166,967
1001.00.000.0000.26270.000.0000.0000.0.0000	Conservation Account Deposit			2,318,063
1001.00.000.0000.26275.000.0000.0000.0.0000	Lot Grading Escrow			1,250,596
	Total			26,501,022

Each individual cash proffer and developer bond is assigned a number and tracked in EnerGov. Below is a listing of the population totals of cash proffer records and developer bond records in EnerGov.

As of June 30, 2017	Total Records
Cash Proffers Records	4,065
Developer Bonds Records (deposits & escrow liabilities)*	1,337



OBJECTIVE AND APPROACH

Objective

The objective of this internal audit was designed to test the completeness and accuracy of proffer and developer bond (deposits & escrow liabilities) balances recorded in the EnerGov subsidiary ledger and the Ascend general ledger. The scope of work focused on the following:

- Gaining an understanding of the process for tracking cash proffers and developer bonds (deposits & escrow liabilities), and the differences in the processes;
- Determining the completeness and accuracy of the data in EnerGov;
- Reviewing the reconciliation process between the EnerGov subsidiary ledger and Ascend general ledger; and
- Identifying improvement opportunities.

Approach

Our audit approach consisted of the following three (3) phases:

Understanding of the Process

During the first phase, we performed the following:

- Conducted interviews with the appropriate representatives to discuss the scope and objectives of the project, and obtain preliminary data;
- Obtained copies of financial information and other documents deemed necessary;
- Reviewed the applicable State and County policies related to this internal audit; and
- Conducted interviews with responsible personnel within Planning, DDS and FRC to obtain an understanding of the unique aspects in order to perform testing.

Evaluation of the Design and Effectiveness of Process and Controls

Below are brief descriptions of the analysis and testing techniques utilized in order to meet the objective identified above.

Proffers

The walkthroughs and interviews were performed to understand the process of recording, tracking and assignment of monetary proffers from the EnerGov and Ascend systems. This included the following:

- Initial input of proffers, including monetary proffers, into the EnerGov subsidiary ledger;
- Tracking deposits of monetary proffers and recording in the EnerGov subsidiary ledger;
- Tracking recording of deposits in the EnerGov subsidiary ledger and reconciliation to the Ascend general ledger; and
- Assignment of monetary proffers from EnerGov and Ascend based on BOCS resolution.

We performed detailed testing of the completeness and accuracy of the monetary proffers recorded in the EnerGov subsidiary ledger. This included a sample of 58 recorded monetary proffers within the EnerGov subsidiary ledger, including proffer ID's with a zero available balance. Items were selected randomly utilizing data analysis software. Our testing was based on a 95% confidence level. That confidence level was achieved for original accuracy, but not for deposit and collection and BOCS appropriation. Due to record retention, deposit records for cash deposits prior to July 1, 2008 are not available. Thirty-four (34) recorded monetary proffers selected for testing were prior to July 1, 2008. Fifteen (15) of 24 samples that were after July 1, 2008 had associated cash collections; no exceptions were noted with the deposit records for cash deposits for those 15 samples. The County was unable to provide complete supporting documentation relating to BOCS appropriation for four (4) of the samples. Specific procedures performed included:

- Verified accuracy of the original recorded monetary proffer amount through examination of the BOCS resolution;
- Verified original deposit and collection documentation;
- Verified BOCS appropriations; and
- Recalculated the final outstanding available balance.



OBJECTIVE AND APPROACH – CONTINUED

Approach - continued

Evaluation of the Design and Effectiveness of Process and Controls - continued

Developer Bonds (deposits & escrow liabilities)

The walkthroughs and interviews were performed to understand the process of recording, tracking and assignment of cash developer bonds from the EnerGov and Ascend systems. This included the following:

- Initial input of bonds, including cash and surety into the EnerGov subsidiary ledger;
- Tracking deposits of cash bonds and recording in the EnerGov subsidiary ledger;
- Tracking recording of deposits in the EnerGov subsidiary ledger and reconciliation to the Ascend general ledger; and
- Release of bonds based on requirement fulfillment in the EnerGov subsidiary ledger and Ascend general ledger.

We performed detailed testing, with a 95% confidence level, of the completeness and accuracy of the developer bonds (*deposits & escrow liabilities*) recorded in the EnerGov subsidiary ledger. This included a sample of 106 recorded cash bonds in the EnerGov subsidiary ledger, 59 project ID's from a listing of all bond documents housed in the online data center, and 10 project ID's from a listing of closed out projects not included in the online data center. Specific procedures performed for the recorded cash bonds included:

- Verified the accuracy of the original bond amount per the developer agreement;
- Verified original bond deposit and collection documentation;
- Verified release of the bonds, if applicable; and
- Recalculated the final outstanding available balance.

Specific procedures performed for the project ID's from a listing of all bond documents included:

- Determined if project was open or closed;
- Determined if project ever had an associated performance bond;
- Determined type of bond, if applicable (either cash or surety);
- If not a cash bond, verified that the project ID did not appear on the EnerGov cash bond report;
- Verified cash bonds with all requirements fulfilled were appropriately omitted from the EnerGov subsidiary ledger; and
- Verified cash bonds with outstanding requirements were appropriately recorded in the EnerGov subsidiary ledger.

Specific procedures performed for the project ID's not scanned into the online data center included:

- Verified that project was closed; and
- Verified project ID was not recorded on the EnerGov cash bond report.

Reporting

At the conclusion of this internal audit, we summarized our findings and observations into a written report. We have reviewed the results with the appropriate persons in Management, and have incorporated Management's response into the report.



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