



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 16, 2016

Blackburn, Childers, and Steagall, CPAs
801 B Sunset Drive
Johnson City, TN 37604

We have reviewed the working papers for the audit of the City of Bristol, Virginia, which includes the City of Bristol School Board, for the year ended June 30, 2015. 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 Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations;
- 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 2015 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 Bristol, 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 Working Paper Documentation

Comment – Government Auditing Standards and American Institute of Certified Public Accountants (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 evidence that supports the auditor's significant judgments and conclusions. Further, audit documentation should adequately support specific items tested and address all documentation requirements for specific procedures as outlined in the standards. The firm's documentation for some audit procedures was not in accordance with professional standards, including those related to group audit, risk assessment, accounting estimates, sampling and analytical procedures. There were also instances in which the working papers did not reflect that an audit procedure was performed as required, or the working papers were not documented in a manner to demonstrate completion of all state compliance requirements in the Specifications for Audits of Counties, Cities, and Towns.

We noted instances where the firm's risk assessment process did not contain sufficient documentation to support the firm's justification for not testing certain material line items. Additionally, for certain material line items reviewed, documentation was not sufficient to determine if adequate testwork was performed to support the conclusions reached. We also noted multiple instances where a sample of items were tested and required audit documentation was not included. When selecting a sample of items for testing, auditing standards require the auditor to consider the relationship of the sample to the relevant audit objective, the auditor's allowable risk of incorrect acceptance or assessing control risk too low, characteristics of the population, and tolerable misstatement or the maximum rate of deviations from prescribed controls that would support the planned assessed level of control risk.

The firm relies significantly on the performance of substantive analytical procedures in its audit of the City; however, we found the firm is not sufficiently documenting these procedures to demonstrate they have met the requirements of the standards. The firm consistently fluctuates current and prior year amounts against an established audit scope, which does not meet the definition of substantive analytical procedures. When performing a substantive analytical procedure, auditing standards require documentation of the auditor's expectation; the results of comparing the recorded amounts, or ratios developed from recorded amounts, with the auditor's expectation; and investigation of fluctuations or relationships that are inconsistent or differ significantly from expected activity and the results of such additional procedures.

Recommendation – We recommend the firm ensures it follows all applicable standards when planning, performing and documenting audit test work. Specifically, we recommend

Blackburn, Childers, and Steagall, CPAs

November 16, 2016

Page Three

the firm ensures the audit working papers adequately reflect all procedures performed and clearly demonstrate how audit requirements as outlined by the standards and Specifications for Audits of Counties, Cities, and Towns were addressed in the performance of audit procedures.

We found that, for the audit of the City of Bristol, Virginia, for the year ended June 30, 2015, 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. Blackburn, Childers and Steagall, CPAs has received a review rating of pass with deficiencies.

We discussed these matters with your firm on November 16, 2016. 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 Bristol
City of Bristol School Board
Virginia Board of Accountancy
Virginia Society of Certified Public Accountants