



Appalachian States Low-Level Radioactive Waste Commission

PO Box 2063 • Harrisburg • Pennsylvania 17105-2063 • (717) 787-2163 • FAX (717) 783-8965

Appalachian States Low-Level Radioactive Waste Commission respectfully submits the following corrective action plan for the year ended June 30, 2022.

Oversight Agency for Audit: Appalachian Compact Commission

Name and address of public accounting firm:

Trout CPA
930 Century Drive, Suite 104
Mechanicsburg, PA 17055

Audit Period: July 1, 2021 to June 30, 2022

The findings from the June 30, 2022 schedule of findings and responses are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

Material Weaknesses

#2022-001 Internal Control Over Financial Reporting

Statement of Condition: The Commission does not have an internal control system designed to provide for the preparation of the financial statements and the related financial statement disclosures being audited. The Commission has competent individuals who understand the Commission's operations and record the day-to-day transactions in a consistent matter. However, the Commission does not have on staff an individual that is proficient in applying and implementing complex accounting guidance or in preparing financial statements with footnote disclosures in conformity with U.S. generally accepted accounting principles (US GAAP).

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. Although this circumstance is not unusual for an Organization of the Commission's, the preparation of financial statements as a part of the audit engagement may result in financial statements and related information included in financial statements disclosures not being available for management purposes as timely as it would be if prepared by Commission personnel. Additionally, management prepared financial statements that are used for decision-making before the audit is completed could materially differ from the audited financial statements. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.

Recommendation: The Commission needs to annually evaluate having Commission personnel with the ability to draft the financial statements of the Commission. This evaluation should consider the cost and benefits associated with having this expertise on staff.

Commission's Corrective Action Plan: Because the Commission is a multi-state governmental entity with a small operating budget, a limited number of financial transactions, a single source of funds (i.e., interest income) and lean staffing, it is not feasible for the Commission to hire staff to prepare financial statements with footnote disclosures in conformity with US GAAP. For this reason, the Commission has engaged its independent auditors to review fiscal data annually and prepare the financial statements. The Commission has accepted any risk associated with this condition because the cost of hiring accounting staff would be prohibitive. The Commission will annually evaluate, as part of its regular meeting agenda, the cost and benefits of having Commission personnel with the ability to prepare the financial statements of the Commission.

#2022 -002 Segregation of Duties

Statement of Condition: Segregation of duties is the assignment of responsibility so that no one individual in the organization has access to assets and their related accounting records. Segregation minimizes the risk of an error or irregularity occurring and going undetected. We recognize that the Commission has implemented additional procedures and has segregated cash recording and reconciling duties as much as considered practicable and has initiated certain office procedures designed to enhance internal controls. However, there is an inherent lack of internal accounting controls in an office with few financial administrative employees to completely segregate accounting duties. The potential effect of this deficiency is that errors or irregularities would go undetected by employees in the normal course of performing their assigned functions.

Recommendation: We recommend that management continue to review accounting duties and other financial controls to maintain the internal control system at a level considered necessary by the Commission.

Commission's Corrective Action Plan: For the reasons stated above, the Commission does not have the ability to segregate accounting duties completely. The Commission will annually evaluate, as part of its regular meeting agenda, accounting duties and other financial controls to maintain the internal control system at a level considered necessary by the Commission.

Sincerely,

/s/ R Janati

Rich Janati
Administrator



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Oversight Agency for Audit: Appalachian Compact Commission

Name and address of public accounting firm:

MaherDuessel, CPAs
1800 Linglestown Road, Suite 306
Harrisburg, PA 17110

Audit Period: July 1, 2022 to June 30, 2023

Finding 2023-001, “Segregation of Duties”

Condition: Although the Commission has a formal cash disbursements approval process involving three individuals, the Commission does not have sufficient compensating controls to ensure that only approved disbursement transactions took place. The person that maintains the general ledger is the same person that prepares checks for payment, maintains the checkbook, performs bank reconciliations, and mails the signed checks to vendors.

Recommendation: We recommend an individual independent of the disbursements and bank reconciliation process review original, unopened bank statements or review activity online on a monthly basis for any unauthorized transfers, review cancelled check images for unauthorized disbursements or potential alterations, and verify no gaps in check numbers each month. This review should take place before the bank reconciliation process.

Management’s Response: It is our position that the risk of a fraudulent activity is very small considering that a third person (other than the person who maintains the general ledger and the administrator of the Commission) oversees the cash disbursements process. However, the Commission has enhanced its cash disbursements approval process to address the audit recommendation and the new process has already been implemented. Because the Commission is a multi-state governmental entity with a small operating budget, a limited number of financial transactions, a single source of funds (i.e., interest income) and lean staffing, it is not feasible for the Commission to hire additional staff to segregate incompatible functions to the full extent possible. As of now, the Commission has accepted any risk associated with this condition because the cost of hiring accounting staff would be prohibitive.

Sincerely,

/s/ R Janati 8/30/2023

Rich Janati
Administrator