

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

DATE: November 20, 2017

MEMORANDUM TO: Board of Supervisors
County of Richmond
Warsaw, Virginia

FROM: Robinson, Farmer, Cox Associates (RFC)

REGARDING: FY 17 Audit of County of Richmond, Virginia

In planning and performing our audit of the financial statements of the County of Richmond, Virginia for the year ended June 30, 2017, we considered the County's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal controls of the County.

However, during our audit, we noted certain matters that are opportunities for strengthening internal controls and operating efficiencies. Said matters are not deemed to be material weaknesses or significant deficiencies in internal control. Further, this letter does not affect our report dated November 20, 2017 on the financial statements of the County of Richmond, Virginia.

We have already discussed these comments and recommendations with appropriate members of management and we will review the status of these comments during our next audit engagement.

GENERAL LEDGER ACCOUNTING:

RFC continues to recommend that the County consider adapting the County's current software package or obtaining new software to provide for an integrated electronic general ledger for use by Treasurer's office and County Administrator's office. The software would enable staff to efficiently process revenue, expenditure and balance sheet reports and would eliminate the duplicate posting and reconciling required with the current system. Per conversation with County Administration, the planning phase for new software is already in place.

UNASSIGNED GENERAL FUND BALANCE / FISCAL STRESS:

The Auditor of Public Accounts (APA) utilized a Financial Assessment Model (FAM) scoring system as an "early warning system" for localities falling into fiscal stress. This FAM system resulted in a score for each locality for the fiscal years 2014-2016, and if a locality's score was below 15%, they were flagged for potential risk of fiscal stress. The County fell into this category for 2014 through 2016. Additionally, the unassigned fund balance reported for the County's General Fund was \$56,013 at June 30, 2017. We recommend the year end unassigned fund balance be at least 15% of total expenditures to provide adequate cash flow for the County between local tax collection periods. The County increased the real estate tax rate in FY2017 to address this situation. The County has also implemented more conservative revenue budgeting practices. The County's general fund increased \$198,018 in comparison with the prior year, which is a step in the right direction.

DEPARTMENT OF SOCIAL SERVICES DISBURSEMENTS:

Testing of social services (DSS) disbursements revealed that management approval of many invoices is not being noted by signature/initialing of the invoice. Additionally, after DSS checks are written, the check number is not being documented on the invoice. We recommend that approval of invoices be documented via signature/initials of management on the face of the invoice. We also recommend that the check number be documented on the paid invoice to provide cancellation.

Testing of DSS credit cards revealed that there are many finance charges being incurred. We recommend that credit card statements be paid timely to avoid any potential finance charges or late fees.

DEPARTMENT OF SOCIAL SERVICES CONTINUITY PLAN:

The County DSS's continuity (COOP) plan is required to be updated within every twelve months in accordance with the Virginia Department of Emergency Management's COOP plan template. The current plan on file was last updated in October 2014. We recommend that the County comply with the requirement to keep this plan updated annually.