

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Date: November 13, 2017

Memorandum To: Management and Board of Directors  
Town of Rocky Mount, Virginia

From: Robinson, Farmer, Cox Associates

Regarding: Audit for fiscal year ended June 30, 2017

In planning and performing our audit of the financial statements of Town of Rocky Mount, Virginia as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (Internal Control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Town personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

## Signature Stamps

During our walkthrough procedures, we noted that signature stamps utilized by the Town are not always restricted to use by the signer. To ensure that controls are in place and operating effectively, we recommend that only the signer have access to his or her stamp and that the stamp be locked when not in use to ensure that access is appropriately restricted. This is a recurring comment this year.

## Statements of Economic Interest

During our review of the statements of economic interest, we noted that several forms were not completed in their entirety and two forms were filed after the required filing deadline. We recommend that if the forms are printed (rather than utilizing the online filing option) that all answers be checked as "yes" or "no" to ensure that all appropriate schedules are completed. Additionally, if the Town requires individuals to complete the forms, we recommend that they be completed and submitted by the same filing deadline as all other forms. It is noted that the Town Manager is required to file a real estate holding form and we were unable to locate the same.

## VRS Testing and Payroll Processing

As part of our audit process, we are required to compare the monthly remittances to the VRS to the underlying payroll registers. Because the Town processes payroll on a bi-weekly basis, we are unable to reconcile totals as required. We recommend that Council and management consider processing payroll on a bi-monthly or monthly basis to ensure that amounts can be reconciled on a routine basis by Town personnel and by the auditor as required by the Auditor of Public Accounts.

## Tax Revenues

During our review of taxes, it was noted that taxes receivable balances are determined manually at year end and there is no on-going reconciliation of tax revenue throughout the year. Additionally, vehicle decal fees are included on the tax bills but are otherwise not tracked by the Town. We recommend that the decal fees be tracked in a manner similar to taxes and that a tax analytical be prepared on a quarterly basis to ensure that reported amounts are appropriate.

## Tax Revenues (continued)

During our review of public service corporation tax amounts, it was noted that personal property is currently taxed at the real estate rate; however, documentation that a lower rate was established by Council was not available. We recommend that Council and management review and determine at which rate public service corporation personal property should be taxed.

## The Harvester Performance Center Recommendations:

### Tests of disbursements

#### Check signers

During our disbursements testing, it was noted that there is only one signer on the checking accounts. To ensure that appropriate segregation of duties are in place, we recommend that two signers be utilized for all checks. In the event that this is not practical, we recommend that a check signer be someone other than the individual who is responsible for maintaining the bank statements and reconciliations.

#### Checks issued to cash

During our disbursements testing, it was noted that numerous checks are issued to “cash” in order to pay performers and other vendors. We recommend that, to the greatest extent possible, all payments be issued with checks. Where a performer will not accept a check, we recommend that the check be made out to an individual (i.e. a Harvester employee) to provide some accountability of the amount. Additionally, checks should be signed by two individuals, preferably someone other than the payee. Once the cash is provided to the performer or vendor, both parties should sign a confirmation documenting that the cash has been given from the Harvester employee to the performer, noting the date and amount of payment. To ensure that an appropriate audit trail is established, the signed receipt form and contract copy should be maintained as supporting documentation by the accountant.

#### Credit card testing

During our testing of the credit card statement, it was noted that several detailed invoices were not available to support the amounts noted on the credit card statement and subsequent payment to the credit card company. We recommend that detailed receipts/invoices be obtained for all purchases. Additionally, because the Harvester is making purchases for performers, we recommend that documentation be maintained to provide a trail of purchases to the performer (i.e. contracts specifying performer requests should be maintained with receipt/invoice documentation).

#### Bank reconciliations

During our review of bank reconciliations, we noted that the bank reconciliation for the CB&T Deposit Income account for June did not agree to the balance sheet as of June 30, 2017. There were several items that were cleared on the bank account that were actually July transactions that needed to be adjusted on the reconciliation. We recommend that reconciliations be prepared and reviewed in a timely manner to ensure that reconciled balances agree to the ledger.

### Monthly Financial Information

During our review, it was noted that information is not provided by the Harvester to the Town on a routine basis. As the Town is responsible for any deficit incurred by the Harvester, we recommend that financial summaries, and detailed reports as requested, be provided to the Town on a routine basis for review.