

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

DATE: October 18, 2018

MEMORANDUM TO: Rockbridge Area Community Services Board

FROM: Robinson, Farmer, Cox Associates

REGARDING: For FY 2018 Audit

In planning and performing our audit of the financial statements of the Rockbridge Area Community Services Board for the year ended June 30, 2018, we considered the Board's internal control over financial reporting 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.

During our audit, we noted certain operational matters that are presented for your consideration. This letter does not affect our report dated October 18, 2018, on the financial statements of the Rockbridge Area Community Services Board. Our comments and recommendations, all of which have been discussed with management are designed to keep management abreast of current accounting standards or result in operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

## Bank Reconciliations

During our audit of cash, we noted that bank statements for the Board's accounts were not timely reconciled to the general ledger on a consistent basis. When the bank reconciliations were completed, it was determined that the reconciled cash balance was being compared to a general ledger cash balance that did not agree with the actual general ledger cash balance. Most of the problems encountered within the area of cash can be avoided if a proper system of checks and balances is incorporated into the Board's procedures. We recommend that all of the bank accounts be reconciled monthly to the actual general ledger balance and that all suspicious reconciling items be promptly investigated and adjusted with adequate explanations. Additionally, we recommend that completed reconciliations be reviewed and approved by an individual independent from the bank reconciliation process.

## Receivables: Reconciling between Independent Software

During our audit, we noted that the Board did not have a procedure in place to perform monthly reconciliations between the general ledger and accounts receivable subsidiary ledger. These reconciliations are critical for the Board as patient billings and payments are recorded in a software independent of the general ledger and require manual posting to the general ledger. We recommend that the patient billings and payments software be reconciled monthly to the general ledger. All differences should be investigated immediately and appropriate adjustments recorded. Additionally, all accounts receivable reconciliations should be reviewed by an employee independent of the reconciliation process.

### **Capital Asset Disposal Procedures**

During our audit, it was determined that the Board does not have a formal procedure to ensure that disposals of capital assets are reported to the finance department as they occur. Without such a procedure, the likelihood increases that disposals are not being recorded. Capital asset disposals for fiscal year 2018 amounted to approximately \$470,000, the majority of which likely occurred in previous fiscal years. Improper disposal procedures can result in misstatements of capital asset costs, depreciation, and any related gains or losses on the disposals. A formal policy should be adopted to ensure the reporting of capital asset disposals and should include the necessary level of approval for the disposal. This information should be reported to the finance department on a timely basis.

### **Federal Program Reporting Units**

During our audit, it was determined that implementation of the new timekeeping and payroll software resulted in certain inappropriate allocations of wage expenses to the various federal program reporting units. Additionally, we noted that the activity for CFDA 93.788 - Opioid STR was recorded in the same reporting unit as other federal substance abuse programs. Accurate reporting of federal program activity is both a critical control over financial reporting, as well as required by the federal agencies administering the programs. We recommend that federal programs with different CFDA numbers be tracked in separate reporting units. Additionally, we recommend that management work to resolve the payroll allocation issues in order to accurately present federal program activity for the award year.

### **Governmental Accounting Standards Board Pronouncements**

In order to assist your staff in preparing for upcoming accounting changes, we have included the following summary of Governmental Accounting Standards Board (GASB) pronouncements that will affect the Board in upcoming years.

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.