

November 22, 2016

Mr. Michael Hamp II, City Manager
Dr. Jeffrey Cassell, School Superintendent
Mr. Gregory Hitchin, Director, Economic Development Authority
City of Waynesboro
Waynesboro, Virginia

We have audited the financial statements of the City of Waynesboro, Virginia, as of and for the year ended June 30, 2016, and have issued our report thereon dated November 22, 2016. During our audit, we noted the following matters involving the internal control structure and its operation that were not significant enough to meet the definition of a significant deficiency or a material weakness. The purpose of this letter is to communicate these matters to you for consideration of corrective action in future periods.

COMMENTS REPEATED FROM THE PREVIOUS YEAR:

Pay Rate Reconciliation – School Board

The finance and human resources departments do not reconcile amounts paid to employees to contractual rates. The two departments maintain separate and independent systems related to employee contracts and pay rates. No reconciliation is performed between these two systems and no formal procedures are in place to verify that employees' pay agrees to contractual amounts. Reconciliations should be performed on a timely basis to verify that amounts paid to employees agree with appropriate contractual rates. Reconciling items should include any approved pay changes not included in the original contract.

Cash Disbursements – School Board

Multiple employees in the School Board's finance department have the ability to initiate and process checks in H.T.E. Although there are controls in place outside of H.T.E., these controls do not prevent these individuals from initiating and processing checks within H.T.E. Proper internal controls should not allow any one employee to have access to all phases of a transaction. Access to the relevant portions of the electronic system should be evaluated and limited so that a single person does not have the ability to initiate and process checks in H.T.E.

Also during our testing, we noted several direct pay disbursements for credit card charges were submitted and approved by the same person. In order to properly segregate duties, no one person should be able to initiate and approve a purchase. We recommend direct pay forms indicate approval by an authorized employee other than the person submitting the form.

Food Service Accounts - School Board

During our testing, we noted bank reconciliation was not prepared for the School Food Service bank account and student account balances payable were not adjusted in H.T.E. at June 30, 2016. All cash accounts should be reconciled and transactions should be recorded in H.T.E. to prevent materially misstating the financial statements. We recommend that a monthly bank reconciliation be prepared for the School Food Service account and the student account balances be reconciled monthly to the amount due to the student at the end of each month.

Fixed Assets - Economic Development Authority

During our audit, we noted that the EDA does not formally track fixed asset additions. With the development of the Exit 96 property beginning, this is imperative to providing materially correct financial statements. We recommend that the EDA develop procedures related to tracking and capitalizing appropriate items. The values and useful lives of these items should be addressed consistent with capitalization policies.

City and School officials responded to all other recommendations accordingly.

CONDITIONS NOTED DURING FISCAL YEAR 2016

Cash Disbursements - School Board

We noted several cash disbursements did not have properly completed purchase orders. The purchase orders were either dated after the invoice, or were increased and the change dated after the invoice. Without proper approval of purchases, reporting errors or fraud may occur and not be detected in the normal course of operations. We recommend that all cash disbursements be supported by properly completed purchase orders to prevent unauthorized purchases, as well as, purchases being made in excess of the purchase order. If items on the original purchase order, exceed the original purchase order amount, adjustments to the purchase order should be made prior to the invoice date to signify approval occurred before the purchase was made.

Payroll - City

During payroll testing, we noted that several employees' pay raises were not noted in their personal file. We recommend all compensation changes be noted in the personnel file and that the human resources department maintain documentation of the approved rate of pay for each employee. We also recommend that the Finance department verify all employee information entered in H.T.E. agrees with records kept in the human resources department at least annually.

Cash Receipts - City

During our year-end procedures we noted the manual receipt book kept at the Shenandoah Valley Animal Service Center could not be tracked in H.T.E. In order to verify all receipts collected at the Shenandoah Valley Animal Service Center procedures should be adopted to require all collections are given a manual receipt. We recommend that the manual receipt number for all Shenandoah Valley Animal Service Center receipts be entered into H.T.E. to allow reconciliation between the receipt book and H.T.E.

Compliance - City

During our compliance testing we noted two subcontractor's employees were not paid the minimum amount per the Davis Bacon Act. The amounts clearly were immaterial, but monitoring of federal programs should be designed to prevent these errors from occurring.

This report is intended for the information and use of management, others within the organization, and City Council, and is not intended to be and should not be used by anyone other than these specified parties.

Didawick & Company, P.C.

pc: Mr. Clifford J. Prevete, City Finance Director
Mr. William B. Staton, Jr., Finance Director, Waynesboro Public Schools