



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: December 6, 2024

Memorandum To: Management and Members of the Board
Stafford Regional Airport Authority

From: Robinson, Farmer, Cox Associates

Regarding: Audit for fiscal year ended June 30, 2023

In planning and performing our audit of the financial statements of Stafford Regional Airport Authority as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Stafford Regional Airport Authority'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. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with Authority 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.

Accruals and Audit Entries

Several audit adjustments were proposed during the course of the audit to adjust accruals such as lease receivables and related deferrals, capital assets and related depreciation, retainage payable, accrued compensated absences, debt balances, and accrued interest on debt. Auditing standards describe significant audit adjustments as a sign of internal control deficiencies that may rise to the level of a significant deficiency or material weakness.

Prior to audit fieldwork, prior year audit adjustments should be recorded in the QuickBooks general ledger. Management should review the audit entries proposed during the course of the audit as well as revised reconciliation spreadsheets in an effort to record routine journal entries and correct errors prior to audit fieldwork. In the year-end closing procedures and preparation for audit, account reconciliations should be performed to determine whether all activity is properly reflected in the general ledger and appropriate journal entries made.

Financial Policies

There are no formal policies or procedures in place related to purchasing, determining which vendors qualify for 1099s, reporting unclaimed property in accordance with the Unclaimed Property Act, etc. We recommend that the Authority adopt formal policies to enhance the internal control environment. The policies should establish purchasing requirements, check signature requirements, a capitalization policy, compensated absences policy, formal review procedures, routine and year-end reconciliation procedures, and other general accounting practices.

Payroll

Our payroll testing disclosed that the FLSA status for employees is not documented, and employees are not formally notified of their status, but they are notified if they are allowed to earn overtime. We recommend that the FLSA status for each employee be documented.

Items selected for testing revealed that hours on the timesheets often did not agree to the hours on check stubs. In addition, some pay stubs requested for review were unable to be located and provided for review. We recommend that timesheets be reviewed for accuracy and discrepancies resolved prior to the processing of payroll.

The PTO balances per ADP were not consistent with balances maintained internally. Inquiries revealed that neither list was believed to be completely accurate as of June 30, 2023. We recommend that the PTO balances be reviewed and corrected, as necessary, and monitored going forward to ensure that balances accurately reflect accumulated hours.

General Ledger Posting

Many items recorded in the general ledger had errors, such as being posted to the wrong account, being posted in the wrong dollar amount, or having a memo/description that was unrelated to the transaction being recorded. In addition, several general journals recorded on different dates had the same identification number. We recommend that posting entries be reviewed for accuracy and completeness when processed. In addition, each deposit and payment transaction should have a unique identifier in the system to provide a better audit trail. For example, check numbers should be entered for payments made with a check.

Payroll transactions within QuickBooks were not recorded in a consistent manner. For example, the June 2, 2023 ADP payroll summary does not agree to the QuickBooks posting allocation. We recommend that posting transactions be reviewed for accuracy and consistency from one period to the next.

Supporting Documentation and Approval Procedures

The former administrative assistant's filing system made it difficult to locate some invoices and other documentation selected for testing. We recommend that financial documents be maintained in a systematic and orderly manner so that they are readily available for review.

Invoices should be cancelled to show that payment was made to ensure that all items are paid in a timely manner and payments are not duplicated. Credit card transactions should be subject to the same policies and procedures as expenses paid with a check. Invoices and receipts supporting items purchased with the credit card should be maintained with the credit card statements and reviewed against statement charges for accuracy. In addition, sales tax exemption forms should be presented, when applicable, to avoid paying unnecessary taxes. A review of credit card statements selected for testing showed that finance charges of \$121.45 and \$143.24 were paid. Credit card payments should be made in full in a timely manner to avoid paying unnecessary fees.

Supporting Documentation and Approval Procedures (Continued)

Reimbursements to management or employees should be reviewed and approved by someone other than the person being reimbursed.

Bank reconciliations were not completed in a timely manner. Also, the reconciliations were not printed and formally signed documenting review procedures. We recommend that monthly bank reconciliations be printed from the QuickBooks system and formally reviewed (electronically or otherwise) with a signed or initialed copy maintained on file documenting performance of the formal review procedures. These procedures should be performed on a monthly basis prior to the end of the following month.

The fiscal year 2023 tenant list was not updated to reflect current information, which made it difficult to audit the related revenues. We recommend that a historical tenant list be maintained and kept up-to-date to provide a better audit trail.