



Date: January 7, 2025

Memorandum To: Council
Town of Dumfries, Virginia

From: Robinson, Farmer, Cox Associates

Regarding: Audit for fiscal year ended June 30, 2024

In planning and performing our audit of the financial statements of the Town of Dumfries, Virginia for the year ended June 30, 2024, we considered the Town'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 control structure.

However during our audit fieldwork tests we noted certain matters involving the internal control structure and other operational matters that are presented herewith for your consideration. This letter does not affect our report dated January 7, 2025. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operational 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.

Policies and Procedures - Comprehensive Financial Policies, Procedures and Processes for Financial Reporting

We recommend that the Town continue to develop a comprehensive financial policies and procedures manual in order to formalize a comprehensive manual that reflects and updates the Town's current fiscal practices, policies, procedures and processes in relation to financial reporting. This will reduce the risk of inefficiencies in the event of any turnover, emergency or leave. We recommend that that manual includes, but is not limited to the following:

- Establish employee roles and responsibilities.
- Enhancing segregation of duties and cross training employees.
- Processing daily, weekly, monthly, and quarterly transactions. For example:
 - Receipts
 - Disbursements
 - Bank reconciliations
 - Processing payroll and payroll related reports
- Identifying and recording year-end accruals and transactions, for example:
 - Accounts receivable
 - Taxes receivable
 - Prepaid expenses
 - Capital assets and accumulated depreciation
 - Accounts payable and accrued expenses, including accrued leave

Policies and Procedures - Approval of Journal Entries

During the course of our audit, we noted that the Town does not have a formalized review and approval process for journal entries. We recommend the Town implement a formal review and approval process for all journal entries or for journal entries above a specified dollar amount.

Various Liability Accounts

During the course of our audit, we noted there was limited formalized reconciliation and review of the various liability accounts on the balance sheet. We recommend that the Town performs a formalized reconciliation of the various liability accounts on the balance sheet at fiscal year end. If necessary, a subsidiary spreadsheet or listing and/or other appropriate documentation should be reconciled to the balance reported in the balance sheet account at year end. Any variances should be reviewed, and adjustments prepared as necessary. Such reconciliation should be prepared and then reviewed by another individual.

Supporting Documentation

During the course of our audit, we noted checks disbursements and credit card transactions which were not supported by invoices, itemized receipts or other adequate supporting documentation. Documentation for all expenses of the Town should be maintained on file and attached to the corresponding copy of the check stub with documentation of approval. If the purchases are made using a Town credit card, each credit card statement should be supported by detailed receipts for all charges and such documentation should be reconciled to the statement prior to paying the credit card bill. Non-detailed credit card receipts are not sufficient supporting documentation.

Purchase of Meals - Credit Cards

During the course of our audit, we noted instances in which credit cards were used to purchase meals. We recommend that all purchases of meals using Town credit cards document the nature of the business meeting and the names of those attendance written on the itemized meal receipt.

Prompt Payment

During the course of our audit, we noted instances in which invoices and credit card statements were not paid in a timely manner. We recommend that all invoices be paid within 45 days in accordance with the Prompt Payment of Bills provisions of the Virginia Public Procurement Act and to avoid unwarranted late payment penalties and finance charges paid by the Town.

Unclaimed Property

During the course of our audit, we noted checks outstanding over one year. Per Virginia State Guidelines and Public Deposit Account Fund policies, amounts still outstanding after one year should be voided and remitted to the State as unclaimed property. We recommend that the Town work to incorporate a yearly process where checks outstanding over one year are remitted to the State per unclaimed property guidelines.

Transactions with Immediate Family Members

During the course of our audit, we noted transactions during the fiscal year with immediate family members for the purchase of services. We recommend that all purchases of services and goods with immediate family members be supported by a minimum of 3 quotes to avoid any potential conflict of interests.

Fire Programs - Disbursements

During the course of our audit, we noted that the expenditures reported on the form Annual Report on Aid to Localities from the Fire Programs Fund was not correctly completed. The form did not correctly classify disbursements in the fiscal year and no explanation on the future spending plan for the remain balance was provided. We recommend that the Annual Report on Aid to Localities form be correctly completed in its entirety.