



ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

Date: March 18, 2022

Memorandum To: Maury Service Authority

From: Robinson, Farmer, Cox Associates

Regarding: Audit for year ended June 30, 2021

In planning and performing our audit of the financial statements of Maury Service Authority for the year ended June 30, 2021, we considered the Authority'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, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated March 18, 2022 on the financial statements of Maury Service Authority. 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 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.

Formal Policies and Procedures (Repeat Comment)

Finding

The Authority ended their contract with the City of Lexington to operate the water and wastewater treatment plants at the conclusion of fiscal year 2016. The Authority assumed the employees who work at the facilities that were previously City employees and is now responsible for the operation of its own facilities. However, the Authority is still following some of the existing policies from the City of Lexington. Until June 2018, there was no formal documentation at the Authority regarding Fair Labor Standards Act (FLSA) status for individual employees and only new hires had forms on file at the time of audit fieldwork. The general practice for credit cards with missing receipts is for the Administrative Secretary to contact the employee responsible for the purchase to request documents. If they are unable to provide documentation, the Administrative Secretary or employee documents the vendor and employee making the purchase.

Recommendation

We recommend that the Authority establish formal written policies covering over areas such as personnel, procurement and purchasing, capital assets, credit card usage, travel reimbursement and petty cash. In addition, a whistleblower policy should be created. In the rare instance that credit card receipts are missing, the employee should submit a statement describing what was purchased. However, every effort should be made to maintain receipts to support the appropriateness of business expenses.

Bank Reconciliations (Repeat Comment)

Finding

The June 2021 Wastewater operations bank reconciliation was reconciled with a period ending date of June 28, 2021 instead of June 30, 2021. This caused a difference between the reconciled bank balance on the monthly reconciliation and the general ledger balance at year-end. In addition, bank reconciliations are not routinely performed on a monthly basis.

Recommendation

We recommend that bank statements be reconciled as of the last day of the calendar month, on a monthly basis within the following month. Reconciling items should be reviewed for completeness and accuracy with deposits in transit and outstanding items being researched, as appropriate. Bank reconciliations should be reviewed (with formal signoffs) by someone independent of the preparer and corrections made to the general ledger in a timely manner.

Filing of 941s (Repeat Comment)

Finding

The September and December 2020 forms 941 filed with the Internal Revenue Service (IRS) included Families First Coronavirus Response Act (FFCRA) credits in the amount of \$3,176.63. According to IRS guidance, government employers are not eligible for the credit for qualified sick and family leave wages; however, government employers are not liable for the employer share of the social security tax on the qualified sick leave wages paid to employees.

Recommendation

We recommend management review the IRS filings for June, September, and December 2020 and subsequent payment history to determine if amended 941s should be filed or any other action is necessary.

Payment of Invoices (Repeat Comment)

Finding

Several invoices were paid late (after due dates) during the fiscal year or after year-end, in some cases resulting in the payment of late fees and finance charges. For example, some invoices on the June 30, 2021 AP aging report with due dates in March or April 2021 were not paid until August or September 2021.

Recommendation

Invoices should be entered into QuickBooks upon receipt or when accounts payable transactions are processed. Payments should be recorded in the system simultaneously as checks are written or entered into the online banking system. This will allow management to monitor cash balances, accounting for transactions that may not have cleared the bank yet as opposed to recording activity when bank statements are received or reconciled. Management should implement a policy for timely review and processing of payments to avoid paying unnecessary fees.