

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

DATE: November 9, 2017

MEMORANDUM TO: Noah Simon, City Manager
City of Lexington

FROM: Robinson, Farmer, Cox Associates

REGARDING: Audit for the Year Ended June 30, 2017

In planning and performing our audit of the financial statements of City of Lexington, Virginia for the year ended June 30, 2017, we considered the City's internal control structure to plan our auditing procedures for the purpose of expressing our opinions 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 November 9, 2017 on the financial statements of the City of Lexington, Virginia. 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.

Trial Balances

Significant adjustments to the City's trial balances were proposed by the auditors for the year ended June 30, 2017. The adjustments consisted of proposed entries to adjust for capital asset dispositions, interest payable, OPEB trust activity, and GASB 68 adjustments. We recommend that management review these adjustments and incorporate same in the trial balances and documentation provided for audit.

Statements of Economic Interest

Requirements for filing the statements of economic interest were changed for fiscal year 2017 in that forms were required to be filed between January 1, 2017 and January 15, 2017 (or the next business day if this fell on a weekend or holiday). Based on our review, all of the School Board statements of economic interest were filed in June, 2016 and December, 2016 which is in line with the filing requirements for fiscal year 2016. We recommend that for fiscal year 2018, Board and Council members complete the forms in accordance with the updated 2018 filing deadline. Accordingly, forms should be filed between January 1, 2018 and February 1, 2018.

Statements of Economic Interest forms should be filled out in their entirety, if forms or sections are not applicable, they should clearly be marked as such. During our review, we noted that two of the nine City Council Member forms were not filled out in their entirety. We recommend that management review filed forms to help ensure that forms are completed fully.

Deposit Timeliness

Deposits should be taken to the bank within 2-3 business days after receipt. During our testing of receipts, four out of 25 days' collections did not appear to be deposited within the recommended timeframe. Upon further discussion, it was determined that amounts were deposited within the recommended timeframe via the bank's night dropbox; however, the documentation provided by the bank was not sufficiently detailed to confirm same. We recommend that all deposits be taken to the bank so that deposits will be posted to the account within the aforementioned timeframe.

Pool Processes

Expenditures:

During our review, it was noted that late fees are often incurred on invoices related to the pool. It seems that this could be a combination of timing of invoices being sent and quick turnaround of payment requirements as well as the processing and check run timing. We recommend that management of the pool and City work together to ensure that invoices are paid in a timelier manner to avoid late fees.

During our inquiry process, it was noted that in the event that repairs or other maintenance is needed at either the indoor or outdoor pool, For Swimming often handles the purchasing/procurement. As they are a not for profit entity, they are not subject to the same procurement requirements as the City of Lexington. In the event that the City will be requested to help with payment of same or will be paying the vendor directly, we recommend that the City's procurement policies be followed to ensure they remain compliant.

Revenues:

During our review, it was noted that there is not currently an adequate system to track individuals entering the pool to ensure that they have paid the related fee. We recommend that management implement a system to ensure that all individuals entering the pool have paid. Additionally, documentation should be provided for audit to ensure that the total amounts that should have been collected during the day have been remitted to the Treasurer's office in a timely manner. This can be as simple as numbered bracelets that are given to all individuals (with a separate color/number sequence for members) or as complex as a new software system.

It was noted that one individual who is sometimes responsible for collecting payment from entrants is responsible for closing out the cash register. We recommend that two individuals be present for counting the drawer at the end of the day and preparation of the deposit to be taken to the Treasurer. Both individuals should sign the deposit slip or remittance advice to the Treasurer to denote their review.

Receipts do not appear to be given to all individuals upon payment. A ticket or bracelet system would likely be sufficient for non-members entering the pool. However, we recommend that membership forms be numbered sequentially and issued in the same order. Receipts should be provided to all individuals purchasing a membership with their membership number denoted on same. Additionally, a log or duplicate/triplicate copy of the receipts issued should be maintained and provided for audit purposes.

School Board - Deferred Tuition

During our review of deferred tuition, we were unable to obtain a detailed list of students and amounts paid toward the next school year to be reported as deferred tuition. While the school board does keep copies of the checks to document the amounts received, we were unable to sum the check stubs to the amount reported on the trial balance. Going forward, we recommend that management keep a detailed listing of amounts received and deferred at year end.