



Date: January 23, 2024

Memorandum To: Council
Town of Dumfries, Virginia

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 the Town of Dumfries, Virginia for the year ended June 30, 2023, 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 23, 2024. 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 and Procedures

We recommend that the Town continue to develop a comprehensive financial policies and procedures manual. This will reduce the risk of inefficiencies in the event of any turnover, emergency or leave.

Policies and Procedures - Year-end Accruals

During the course of our audit, it was noted that there are no formalized written step by step policies and procedures for identifying and recording year-end accruals. We recommend that the Town have formalized written policies and procedures for identifying and recording year end accruals. This will reduce the risk of inefficiencies in the event of any turnover, emergency or 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.

Cross-Training - Year-end Accruals

During the course of our audit, it was noted that there was limited cross-training in performing year-end accrual items. We recommend that the Town continue to cross-train employees in performing year-end accruals. This will reduce the risk of inefficiencies in the event of any turnover, emergency or leave for the individual who processes year-end accruals.

Policies and Procedures - Processing of Invoices

During the course of the audit, we noted that there is not a uniform formal policy or procedures for purchasing and processing disbursements for the various Town departments during the fiscal year. In addition, we noted instances in which approval for payment and/or cancellation of the invoice were not documented. We recommend that the Town establish a formal documented uniform policy and process for requesting purchases, approving invoices, and documenting the approval and payment of invoices. Additionally, supporting documentation for disbursements should be maintained on file in one location and to include invoice or receipt, evidence of the proper level of approval and proof of cancellation of invoice.

Segregation of Duties - Changes to myVRS Navigator

During the fiscal year we noted that the same individual who makes changes to the myVRS Navigator also prepares the payroll for processing. We recommend that changes to myVRS Navigator be made or reviewed by an individual not involved in the processing of payroll.

Segregation of Duties - Payroll Master Files

During the fiscal year the same individual who makes changes to the payroll master files also prepares the payroll for processing. We recommend that another appropriate individual periodically review a Payroll System Master File Change Log showing all changes in payroll master files for a given date range. Such review should detect any unexpected changes to the master files.

Segregation of Duties - Employee Benefits

During the fiscal year the same individual who is responsible for processing employee benefits, also prepares the payroll for processing. We recommend that responsibility for processing employee benefits be made by an individual not involved in the processing of payroll or another appropriate individual should formally review in detail and approve the payroll register before processing.

Segregation of Duties - Payroll Registers and the Direct Deposit Transmission File

We noted the same individual who processes payroll, initiates the direct deposits without a formal review and approval of the direct deposit transmission file. We recommend that the Town have formalized written policies and procedures for reconciling, reviewing, and approving the payroll register and direct deposit transmission file each pay period. Another appropriate individual should formally review in detail and document the approval of the payroll register and direct transmission file before processing.

Bank Reconciliation - Review and Approval

During the course of our audit, we noted that there was a limited formalized review and approval process for the bank reconciliations. We recommend that Town develop and implement a formalized review and approval process for the bank reconciliations. The formalized review and approval should include that the bank reconciliation be reviewed by an individual independent of the cash receipt and disbursement functions and their review should be documented with a "reviewed by" date and signature. The preparer of the reconciliation should also document the completion of their reconciliation process with a "prepared by" date and signature. The review and approval process of the reconciliations should be completed within two weeks of the following month end to ensure that all transactions are properly recorded in the automated accounting system

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 numerous 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.

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.

Signature Stamp

During the course of our audit, we noted instances in which a signature stamp was used on Request for Purchase Order, Request for Checks and Requests for Per Deim Forms. A signature stamp shall not be used in lieu of any signature for approval. We recommend that a signature stamp not be used in lieu of any signature.

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.

Urban Highway Maintenance - Reconciliation of VDOT Weldon Cooper Survey Expenditures

During the course of the audit, we noted that the eligible and total expenditures on the Weldon Cooper Survey submitted in March 2023 did not reconcile to the accounting system. We recommend that payments and expenditures claimed on the annual report must reconcile to the local government's accounting system and must be supported by detailed documentation.

Quarterly 941 Forms

During the course of the audit, we noted that the 2022 4th Quarter 941 form was missing and that there was no formalized process for filing and reconciling the quarterly 941 forms to the general ledger. We recommend that the Town implement a formalized written policy and procedure for filing and reconciling the quarterly 941 forms to the general ledger salary accounts on a least a quarterly basis and to ensure the correct tax liability amounts have been correctly remitted. If this reconciliation is performed by the same individual who processes payroll, another appropriate individual should review and approve the prepared reconciliation

Monthly Bank Reconciliations

During fiscal year 2023, we noted instances in which bank reconciliations were not prepared in a timely manner. We recommend the Town continue to make improvements to the bank account reconciliation process to make the reconciliations as timely, efficient and accurate as possible. All reconciling items should be investigated and, if needed, any necessary adjustments posted in the automated accounting system. This entire process should be completed within 15 days of month end to ensure that all bank account balances are properly recorded in the automated accounting system.

Reconciliation of VRS Contributions to Payroll

During the course of our audit we noted instances in which monthly reconciliations between myVRS Navigator and the payroll system included discrepancies. The discrepancies between myVRS Navigator and the payroll system were not cleared prior to the confirmation of contributions. We recommend Information in the payroll system reconciles to the information in myVRS Navigator and reconciling items are cleared prior to confirming and submitting contributions.