

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

DATE: November 5, 2018

MEMORANDUM TO: Town Council
Town of Colonial Beach
Colonial Beach, Virginia

FROM: Robinson, Farmer, Cox Associates

REGARDING: FY 18 Audit of Town of Colonial Beach, Virginia

In planning and performing our audit of the financial statements of Town of Colonial Beach, Virginia for the year ended June 30, 2018, 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 controls of the Town.

However, during our audit, we noted certain matters that are opportunities for strengthening internal controls and operating efficiencies. Said matters are not deemed to be material weaknesses or significant deficiencies in internal control. Further, this letter does not affect our report dated November 5, 2018 on the financial statements of Town of Colonial Beach, Virginia.

We have already discussed these recommendations with appropriate members of management and we will review the status of these comments during our next audit engagement.

Approval of Expenditures

During our test of disbursements, we noted that many invoices did not contain the appropriate signatures of approval. We recommend that all disbursements contain the appropriate signatures of approval on the attached purchase order.

Management's Response: During FY18, the Town experienced turnover in the CFO and Town Manager role early in the fiscal year. The Finance Department did make a significant improvement to strengthen the internal control environment by specifically removing the purchase order override capability within BAI that had long been in place by previous management. New general ledger software, including an accounts payable module, is being implemented during FY19. As part of this implementation, procedures will be developed to ensure that all disbursement approvals are properly evidenced by signatures.

Travel Policy

There is no formal, Council-approved travel policy. We recommend that a formal travel policy be approved by the Town Council, and to consider and document what are allowable travel expenses in the document.

Management's Response: The Town will take corrective action for FY19 as appropriate, especially in conjunction with the implementation of a P-card program that will be finalized during FY19.

School Cafeteria Expenditures

The expenditures for the School Cafeteria fund of \$444,442 were in excess of the final appropriated amount of \$240,759. This resulted in expenditures in excess of appropriations of \$203,683. Supplemental appropriations need to be made before expending funds in excess of what is budgeted.

Management's Response: Expenditures and revenues came in higher than budgeted, due to the after school dinner program. The revenues for the cafeteria were greater than the expenses. Going forward, revenues received above what is budgeted will be appropriated to both revenues and expenses to reflect the additional monies received for the fiscal year.

ACH Transactions

During our review of electronic transactions, it was noted that disbursements that made via ACH are not being approved prior to the electronic payment being made. Additionally, there is no review process in place to monitor these transactions. We recommend that all electronic payments have documented approval prior to making the payment. Additionally, these payments need to be reviewed periodically by a member of management.

Management's Response: During FY18, the Town experienced turnover in the CFO and Town Manager role. Management will take corrective action for FY19 to implement appropriate review and approval of ACH transactions wherever practical given the small size and nature of the Finance Department. The monthly bank reconciliation serves as an overall compensating control.

Monitoring of Uncollected Property Taxes

The uncollectible tax accounts within the 999 fund of the Town's accounting system is not currently being utilized for tracking delinquent property tax amounts by tax type and year. We recommend utilizing this function and reconciling delinquent property tax amounts to the balances in this fund on a monthly basis.

Management's Response: The Town has not historically performed this specific reconciliation process. Turnover occurred in the CFO role during FY18. New general ledger software, including a real estate and property tax module, is being implemented during FY19. As part of this implementation, a reconciliation as recommended will be considered for the future monthly close process.

Economic Interest Statements

We reviewed economic interest statements on file. Of the nine statements that were reviewed for Council members, the Mayor, and Town Manager, three of these were filed late. The deadline for completing and filing the form is February 1st.

Management's Response: The Town will ensure that corrective action is taken for FY19 so that all economic interest statements are filed by the February 1st deadline.