

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Date: November 22, 2016

Memorandum City Council
To: City of Fredericksburg, Virginia

From: Robinson, Farmer, Cox Associates

Robinson, Farmer, Cox Associates

Regarding: Audit for fiscal year ended June 30, 2016

In planning and performing our audit of the financial statements of the City of Fredericksburg, Virginia for the year ended June 30, 2016, we considered the City'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 November 22, 2016. 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, and to note certain matters for which corrective actions may be taken prior to year-end. 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.

Purchase Cards - Itemized Receipts

During the course of our audit, we noted instances in which the policies over the purchasing cards of the City were not being adhered to. We noted instances of non-detailed receipts serving as the supporting documentation for purchase card transactions. The purchase card policy requires cardholders to retain a copy of the *itemized* receipt documenting the purchase. We recommend that purchase card transactions be supported by itemized receipts in accordance with the purchasing card program policy manual.

Prompt Payment

During the course of our audit, we noted one invoice that was not paid in a timely manner. The invoice in the amount of \$11,712.00 was dated December 16, 2015 and was paid on April 1, 2016. We recommend that all invoices be paid within 45 days in accordance with the Prompt Payment of Bills Act.

Cafeteria Revenue Postings

Cafeteria sales receipts are collected daily at each City school. These monies are deposited to the bank on a daily basis. However, at times the cafeteria sales revenues are not posted to the automated accounting system at the City for several days after the collections of such revenues. We recommend that cafeteria sales revenues be posted to the automated accounting system as they are received to ensure accurate and timely financial reporting and aid in the reconciliation processes of the City.

School Board Purchase Cards - Documentation

During the course of our audit, we noted instances in which the procedures for the purchasing cards of the School Board were not being adhered to. We noted instances in which a list of attendees was not included with supporting documentation for meals purchased using School Board purchasing cards. The purchasing card procedures indicate that the supporting documentation for meals purchased using the purchasing cards should state the business purpose of the purchase, include a list of attendees, and be within reasonable amounts. We recommend that purchase card transactions for meals be supported by a list of attendees in accordance with the School Board purchasing card procedures.

Governmental Accounting Standards Board Pronouncements

In order to assist your staff in preparing for upcoming accounting changes, we have included the following summaries of Governmental Accounting Standards Board (GASB) pronouncements that will affect the City in upcoming years.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

Conclusion

A documented corrective action plan should be prepared in response to these comments and reviewed on a periodic basis to insure that the policies and procedures established pursuant to the corrective action plan are functioning properly.