ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

CPAs | CONSULTANTS

APA Note: This letter contains redacted information which refers to details of control weaknesses that were communicated to locality management and governance but are FOIAE under Code of Virginia §2.2-3705.2 due its sensitivity and description of security controls or mechanisms.

Date: November 30, 2020

Memorandum To: Piedmont Community Services

From: Robinson, Farmer, Cox Associates

Regarding: Audit for Year Ended June 30, 2020

In planning and performing our audit of the financial statements of Piedmont Community Services for the year ended June 30, 2020, we considered the 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 November 30, 2020 on the financial statements of Piedmont Community Services. 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.

[redacted]

[redacted]

Payment of Invoices

Several invoices were paid after the due date listed on the invoice. These included invoices from Iris Telehealth Medical Group, PA for services between December 2019 and May 2020. The December invoice was paid in April, the January invoice was paid in February, the February invoice was paid in March, the March and April invoices were paid in May, and the May invoice was paid in June, all after the due dates. In addition, some Quill invoices paid in July 2020 were also paid late. We recommend management work with staff and vendors to ensure that invoices are processed in a timely manner, upon receipt.

Stimulus Funding

The Agency received Provider Relief Funds (PRF) from the Department of Health and Human Services and a PPP loan during the year. The federal government distributed funds quickly to assist organizations in response to the coronavirus pandemic. As with most federal funding, the funds have certain stipulations and are subject to single audit. However, due to the haste in distributing funds, guidance on the use and reporting in relation to those funds was unclear. Program requirements have continued to evolve through updates and FAQs since funds were released. At the time of our audit, management had reported the full PRF funding as revenue but had not identified the purpose or use of the PRF in relation to fiscal year 2020.

It is critical to monitor the guidance and FAQs for these atypical funding streams to ensure grant requirements are met. In addition, the use of the funds must be clearly documented in order to provide a clear audit trail.

Uncollateralized Deposits

Accounts holding public deposits must be designated as such with the financial institution holding the funds. Under the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. The bank account holding the PPP loan funds was not identified as a public deposit at year-end exposing $2,605,735 to custodial credit risk. We recommend management visit the SPDA website quarterly to verify that all applicable bank accounts are designated as public funds to ensure they are properly safeguarded against loss.

Upcoming Pronouncements

Due to the coronavirus pandemic, GASB delayed the implementation date of certain accounting standards. We recommend management review these accounting pronouncements in preparation for implementing them in the fiscal years 2021 and 2022. Lease agreements (lessee and lessor) should be gathered and terms reviewed for the appropriate accounting treatment.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.