

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Date: December 29, 2017

Memorandum To: Board of Supervisors
County of Madison, Virginia

Board Members
Madison County Parks and Recreation Authority

From: Robinson, Farmer, Cox Associates

Regarding: Audit for year ended June 30, 2017

In planning and performing our audit of the financial statements of the County of Madison, Virginia for the year ended June 30, 2017, we considered the County'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, 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 December 29, 2017, on the financial statements of the County of Madison, 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.

COUNTY OF MADISON

Centralized Electronic Purchase Order System

Madison County's business processes related to procurement are largely decentralized and rely on a manual system for generating, and tracking purchase orders. The current purchase order system does not provide for a centralized method of tracking the status of purchase orders and related procurement documentation. We observed the following related to the County's current procurement system:

- Purchase orders are manually generated absent of sequential numbering or central log maintained providing monitoring over the status of issued purchase orders. As a result, outstanding commitments related to open purchase orders are difficult to ascertain which may limit Management's ability to monitor compliance with the approved budget.
- Presently, it appears Department heads are applying the purchasing policy inconsistently whereby using purchase orders in an inconsistent manner. There appears to be inconsistency both in terms of dollar limits (current County policy requires a purchase order for items \$2,500 and over) and in terms of items purchased (goods vs. services.)
- Documentation related to procurement including quotes, RFP's, and signed contracts are generally maintained at the department level. This method of record keeping may limit the ability to monitor compliance with County policies. Furthermore, this practice does not provide for a systematic method of maintaining County records and may prohibit continuity of business in the event of staff turnover.

We recommend that the County consider the implementation of an electronic requisition and purchasing system or similar process. The benefits of an automated procurement system include the following:

- It improves efficiency by automating and standardizing routine tasks.
- It provides better document management and access to important business records. For example, better files will assist in building budgets and estimates and in recovering vendor names and contact information.
- Increases the effectiveness of monitoring controls by Management for compliance with local and state procurement policies.
- If used properly, an automated system could provide more timely and effective information to Management for decision making and dissemination of information to requesting parties.

MADISON COUNTY PARKS AND RECREATION AUTHORITY

As part of the audit, we reviewed the various accounting transaction processes (i.e. processing accounts payable, payroll, cash receipts, bank reconciliation, etc.) for the Authority to determine what internal controls are in place for each process. We met with several Authority personnel to discuss how it processes each transaction and discussed ways in which the Authority can strengthen its internal controls over each process. It is very common with a newly established organization to have areas for which internal controls can be improved. The following is a list of internal controls we discussed and recommended for the Authority:

- Documented Approvals on all invoices by appropriate personnel prior to checks being issued
- Dual signatures on all checks issued
- Establish and approve a written purchasing policy
- Issuing checks in numerical sequence
- Review and approval of payroll register by someone not involved in processing payroll
- Keeping updated approved pay rates in personnel files for all employees
- Having approved pay rates signed by both employee and supervisor
- Use of Triplicate Pre-numbered receipt book by Office Personnel and personnel who collect monies outside of the office.
- Retaining supporting documentation for all deposits and receipts.
- Documented review of monthly bank reconciliations by someone independent of the reconciliation process.
- Establish and approve a written credit card policy