Date: January 3, 2008

Memorandum To: Stafford County School Board

From: Robinson, Farmer, Cox Associates

Regarding: Audit for fiscal year ended June 30, 2007

In planning and performing our audit of the financial statements of the School Board of the County of Stafford, Virginia for the fiscal year ended June 30, 2007, we considered the School Board's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. During our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This memorandum summarizes our comments and suggestions concerning those matters. This memorandum does not affect our report dated draft on the financial statements of the School Board. 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.

School Grants

During the course of our audit we observed the school grants being administered within the School Operating Fund. Management believes having a fund to separately record the financial transactions of each grant will assist various grant administrators in budgeting and financial reporting requirements. We concur with Management and recommend procedures be implemented to budget and account for school grants in a separate fund.

Information Technology

During the course of our audit we discovered the IT/ IS Data Center backs up all data files on tapes which are stored on-site at the School Board Office in a fire/waterproof vault. While we encourage back up tapes be stored in a fire/waterproof vault we recommend this be stored in an off-site facility.
Upcoming Auditing Standards

The AICPA recently issued a suite of new auditing standards related to expanded audit procedures, which we will be required to follow as part of our audit of your financial statements for the year ended June 30, 2007.

The Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA) has issued eight new Statements on Auditing Standards (SASs) collectively referred to as the Risk Assessment Standards.

- SAS No. 104, Amendment to Statement on Auditing Standards No. 1, Codification of Auditing Standards and Procedures ("Due Professional Care in the Performance of Work")
- SAS No. 105, Amendment to Statement on Auditing Standards No. 95, Generally Accepted Auditing Standards
- SAS No. 106, Audit Evidence
- SAS No. 107, Audit Risk and Materiality in Conducting an Audit
- SAS No. 108, Planning and Supervision
- SAS No. 109, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement
- SAS No. 110, Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained
- SAS No. 111, Amendment to Statement on Auditing Standards No. 39, Audit Sampling

These Statements establish standards and provide guidance concerning the auditor’s assessment of risks of material misstatement (whether caused by error or fraud) in a financial statement audit of non-SEC entities, and the design and performance of audit procedures whose nature, timing, and extent are responsive to the assessed risks. Additionally, the Statements establish standards and provide guidance on planning and supervision (audit risk and materiality), the nature of audit evidence, and evaluating whether the audit evidence affords a reasonable basis for an opinion regarding the financial statements under audit.

The primary objective of these standards is to enhance the auditors’ application of the audit risk model in practice by specifying, among other things:

- More in-depth understanding of the entity and its environment, including its internal control, to identify the risk of material misstatement in the financial statements and what the entity is doing to mitigate them.
- More rigorous assessment of the risks of where and how financial statements could be materially misstated based on that understanding.
- Improved linkage between the auditor’s assessed risks and the nature, timing, and extent of audit procedures performed in response to those risks.

We anticipate that most audits will result in an overall increase in effort by both the auditee and the audit team. Accordingly, during the year’s audit, as well as in preparation for next year’s audit, we will continue to communicate expected changes in the audit process and ways in which you and your staff can assist making the audit process as efficient as possible.

We would be pleased to discuss the effects of this new standard on your financial statement preparation process.