ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

CPAs | CONSULTANTS

DATE: October 20, 2023

MEMORANDUM TO: Mr. Kyle O'Brien, Town Manager
Town of Broadway, Virginia

FROM: Robinson, Farmer, Cox Associates

REGARDING: FY 23 Audit

In planning and performing our audit of the financial statements of the Town of Broadway, Virginia for the year ended June 30, 2023, we considered the Town's internal controls to plan our auditing procedures for the purpose of expressing our opinions 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 controls and other operational matters that are presented for your consideration. This letter does not affect our report dated October 20, 2023 on the financial statements of the Town of Broadway, Virginia. Our comments and recommendations are intended to improve the internal controls 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.

Current Year Recommendations:

Weldon Cooper State Survey

During our audit, we noted that while the Town spent their Urban Highway Maintenance funding, they did not report any expenses for street and highway maintenance on their FY22 Weldon Cooper Survey. We recommend that the FY22 survey be revised to reflect actual expenses and expenses be recorded going forward.

Inventory

During our audit, we noted that the Town did not have a process in place to ensure inventory unit costs were maintained. We recommend that periodic inventory counts be completed and unit costs maintained in order to reconcile to the general ledger.

Recommendations from the Prior Year Still Applicable:

Establish and Implement Accounting Policies and Procedures

During our audit, we noted that well-defined accounting policies and procedures have not been established. We suggest that the Town establish a standard accounting manual that would inform all employees of desired operating procedures and policies. A manual could be developed as accounting policies and procedures are established and formalized. This manual could help to standardize the Town's accounting processes and could be used to inform all employees of desired operating procedures and policies. Such a manual could greatly minimize the time required to train any new staff members with accounting responsibilities. Features of the system of internal controls would also be documented in the manual for future review and evaluation.

At a minimum, the manual should include:

- An organizational chart of *The Town of Broadway.*
- Job descriptions, outlining duties and responsibilities.
- Descriptions of methods, procedures and accounting principles to be followed including explanations and examples of principle transactions.
- A chart of accounts with detailed explanation of the items to be included therein.
- Any other documents or forms for which uniformity of use is desired.

A well-structured accounting policies and procedures manual can be very helpful in ensuring that proper procedures and related internal controls are in place and consistently followed.

Uniform Guidance Policies and Procedures

The Office of Management and Budget (OMB) issued guidance on Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards. The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Financial Awards (The "Super Circular", or "Uniform Guidance") requires some major policy reforms which are required to be implemented by all entities receiving federal funding. These policy reforms should be implemented as soon as possible in order to avoid noncompliance with the terms and conditions of current federal awards and the direct and material compliance requirements for federal awards. The following sections of the Uniform Guidance require nonfederal entities that receive federal awards to establish written policies, procedures, or standards of conduct:

- Conflict of Interest (§200.112)
- Financial Management (§200.302)
- Payment (§200.305)
- General Procurement Standards (§200.318)
- Competition (§200.319)
- Methods of Procurement to be Followed (§200.320)
- Compensation – Personal Services (§200.430)
- Compensation – Fringe Benefits (§200.431)
- Relocation Costs of Employees (§200.464)
- Travel Costs (§200.474)

In order to ensure that your policies and procedures meet these new requirements, we recommend that you review the new requirements in detail and revise your current policies, as necessary.

Accounting Software

During our audit it was determined that the Town maintains one bank operating bank account for the general, water and sewer funds. Currently, there is no process in place to automate the amount of cash attributable to each of these funds. We recommend the Town contact its software provider to inquire if there are software modifications that would allow this bank account to automatically interface to all funds, when payments are processed and cash collected.