



Economic Development Authority of the City of Roanoke

Comments on Internal Control and Other
Suggestions for your Consideration

June 30, 2024

Economic Development Authority
of the City of Roanoke

Contents

Independent Auditor’s Report on Comments and Suggestions	1
Comments and Other Suggestions.....	3

Independent Auditor's Report on Comments and Suggestions

To the Honorable Members of the Board
Economic Development Authority of the City of Roanoke
Roanoke, Virginia

In planning and performing our audit of the financial statements of the Economic Development Authority of the City of Roanoke (the "Authority") as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements and to comply with any other applicable standards, such as *Government Auditing Standards* and the regulations set forth in the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

If material weaknesses or significant deficiencies were identified during our procedures they are appropriately designated as such in this report. Additional information on material weaknesses or significant deficiencies and compliance and other matters is included in the ***Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*** which should be read in conjunction with this report.

Additionally, during our audit, we may have become aware of certain other matters that provide opportunities for improving your financial reporting system and/or operating efficiency. Such comments and suggestions regarding these matters, if any, are also included in the attached report, but are not designated as a material weakness or significant deficiency. Since our audit is not designed to include a detail review of all systems and procedures, these comments should not be considered as being all-inclusive of areas where improvements might be achieved. We also have included information on



accounting and other matters that we believe is important enough to merit consideration by management and those charged with governance. It is our hope that our suggestions will be taken in the constructive light in which they are offered.

We have already discussed these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the Authority, management, and the appropriate state and federal regulatory agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 18, 2024

Economic Development Authority of the City of Roanoke

Comments and Other Suggestions

June 30, 2024

Auditor Adjustments (Significant Deficiency)

A number of audit adjustments were necessary for the trial balance to be ready for the audit and the financial statements to be in compliance with accounting principles generally accepted in the United States of America. The adjustments related to the categorization of “uncategorized” revenues and expenses, transfers of funds between cash accounts, and improper accrual of administrative fees receivables and grants payables/receivables. We recommend that accounting procedures be formulated to ensure all revenues and expenses are appropriately categorized and yearend audit adjustments are recorded. All activities should be evaluated beyond transactional processing and toward financial reporting implications on these activities.

Management’s Response: The auditee concurs with the recommendation and is remedying this finding. We are remedying this situation by coordinating regular meetings between the EDA’s Board members and Treasurer, the bookkeeper, and auditor to ensure all parties agree as to how to organize Quickbooks. We met with Brown Edwards auditors on November 8, 2024 and agreed to address this moving forward. We recognize this has been a year of implementation and learning. As such, we are scheduling a December training of Quickbooks for Department staff, EDA bookkeeper, and relevant EDA members.

Journal Entries (Control Deficiency)

During our review of journal entries, we noted a lack of review and approval by Authority staff by journal entries made by an external bookkeeper. The Authority implemented the use of an external bookkeeper in fiscal year 2024 but had not implemented a review and approval process. The review of journal entries reduces the risk of monthly financial statements that are presented to the board for review are not complete and are not accurately reflecting revenue and expenses. We recommend that a journal entry report be prepared by the bookkeeper and reviewed and approved by the Authority staff on a monthly or quarterly basis. We also recommend using this process as a way to categorize appropriately any “uncategorized” revenue or expense in preparation of monthly financial statements for board review and approval.

Management’s Response: The auditee concurs with the recommendation and is remedying this finding. This outcome is due to the lack of communication and planning between Brown Edwards, the EDA, and the outside bookkeeper. We implemented a review and approval process earlier in the fiscal year. As such, staff has already implemented a process where a monthly transactions report is sent to the bookkeeper itemizing each transaction with detailed notes. The bookkeeper also plans to create separate journal entry reports as an outcome of this audit, alongside the monthly reconciliation report for EDA meetings. However, the bookkeeper was not made aware that this was needed or that approval was needed by the EDA. When she has done journal entries in Quickbooks to date, in order to make sure Quickbooks matches the investment statement (which shows market valuation), she needs to make an adjustment every month to ensure market fluctuation is accounted for and did not realize this needed to be approved by the EDA. We met with Brown Edwards auditors on November 8, 2024 and agreed to address this moving forward. We recognize this has been a year of implementation and learning. As such, we are scheduling a December training of Quickbooks for Department staff, EDA bookkeeper, and relevant EDA members.