

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Date: November 20, 2016

Memorandum to: Michael Watson, Town Manager
James Hampton, Treasurer

From: Robinson, Farmer, Cox Associates

Regarding: Audit Recommendations

In planning and performing our audit of the financial statements of the Town of Bluefield, Virginia for the year ended June 30, 2016, we considered the Town's internal 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 internal control structure and other operational matters that are presented for your consideration. 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.

Statements of Economic Interest:

During our review of the Statements of Economic Interest we found one Council member did not submit a June 15th Statement. We recommend all Council and other appointed members complete the applicable form entirely and submit it timely to the Council Clerk.

Virginia Unclaimed Property Act:

During our review of the June 2016 bank reconciliations, we noted that there was an immaterial amount of checks that have been outstanding for longer than one year. These checks should be turned over to Virginia Unclaimed Property in accordance with the Virginia Unclaimed Property Act.

Asset Forfeiture - Equitable Sharing Report:

During our audit of asset forfeiture funds, we found the Town had not accurately completed the Equitable Sharing Report as required by the Department of Justice. We recommend the Town appropriately spend and report the receipts and expenditures of those funds.

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Budget:

A review of expenditures in comparison to appropriations revealed that a number of departments expended more than what was appropriated. All expenditures for each department should be appropriated by Town Council. The following departments over-expended: Town Manager, Town Attorney, Audit Services, Treasurer, Bookkeeper, Fire Department, Recreation, Economic Development, Non-departmental, and Debt Service.

Purchasing:

During our test of disbursements we noted that most purchases orders are not being completed. Per the Town's purchasing policy all purchases must have a purchase order. We found most purchases contained an open purchase order for the fiscal year that did not include an amount. We recommend that if open purchase orders are used they have a ceiling threshold and purchases are tracked to ensure they don't exceed that maximum in the approved period.

Furthermore, the purchase order is the method used to approve purchases. We recommend the Town, at a minimum, document clearly that Council and Town Manager are approving invoices outside of the purchase order procedures if purchase orders are not issued for each purchase.

Credit Card Purchases:

During our audit of credit card purchases we found several receipts that lacked supporting documentation. We recommend all credit card purchases be supported by detailed receipts supporting all items purchased. We also recommend the credit card statement be initialed for documentation of approval of the purchases.

Cemetery Investments:

During our audit of cash and investments we noted an investment in iShares. We do not believe this investment to be in compliance with the Code of Virginia. Subsequent to year end, during the audit, we discussed this situation with the Treasurer and he informed me they disposed of the investment immediately following our discussion.

Urban Highway Maintenance:

During our annual review of the Town's Urban Highway Maintenance program we found the purchases of equipment including vehicles. It is difficult to ascertain if these items are only used for street maintenance. In addition, the Town has previously included an equipment charge in their Highway Maintenance Survey. Including the actual expenditure and the equipment charge would be double counting that expenditure. We recommend the Town implement a strategy to include either expenditure but not both.

Urban Highway Maintenance: (Continued)

We also determined the Town maintains a cost accounting system to track the work orders but this is not reconciled to the general ledger accounting system. The general ledger accounting system is used to create the annual Highway Maintenance Survey. Therefore, it is difficult to ensure all expenditures included in the annual survey to the state are for eligible activities.

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