



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: June 11, 2026

Memorandum to: Stephen Lawson, Town Manager
Amanda Hawkins, Clerk/Treasurer

From: Robinson, Farmer, Cox Associates

Regarding: Audit Recommendations

In planning and performing our audit of the financial statements of the Town of Big Stone Gap, Virginia for the year ended June 30, 2023, we considered the Town's internal control structure 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 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. **The recommendations below should be read in conjunction with the schedule of findings and questioned costs included in the audited financial statements.**

Check Issuance Procedures:

During our audit, we noted that checks were issued from the water and sewer reserve accounts and processed through the accounting systems cash registers as a negative receipt. We recommend all accounts payable payments be processed using the accounts payable module of the accounting system.

Credit Card Purchases:

During our testing of credit card purchases, we found that the Town was missing several detailed receipts. We recommend the Town have the credit card statement reviewed and approved by the Town Manager/Mayor and document that approval on the face of the credit card statement. In addition, we recommend that all monthly statements be paid in full and be supported with a detailed and itemized receipt for each purchase on the statement.

Expenditure Approval:

During our testing of accounts payable expenditures, we noted that the invoices do not include a documented approval on the invoice. We recommend that Council approve a list of expenditures at each meeting but we also recommend that someone independent of the purchase process initial their approval on the actual invoice itself.

Expenditure Documentation

During our testing of random test of disbursements, we were unable to locate several immaterial invoices. We recommend the Town implement procedures to properly track all invoices.

Procurement:

During our testing of procurement compliance, we found that the Town purchased 7 2022 Ford Explorers from Freedom Ford and did not purchase them through the proper bid process. Further, we were also unable to verify that the Town used one of the state contracts provided for Ford Explorers.

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Urban Highway Maintenance Fund (UHM):

During our testing of compliance with the UHM funds, we found that the Town was unable to provide the VDOT eligible street listing for us to verify the work reported was on eligible streets. We recommend the Town maintains that listing to ensure it is reviewing and making sure that it is reporting work on eligible streets.

Federal Grants Policies:

During our review of the Town's purchasing and personnel policies for federal compliance, we noted several policies as required by Uniform Guidance may need to be added or updated. We recommend the Town review both policies in total to ensure up to date compliance but specifically recommend the Town address the following policies and procedures in writing: grant award inventory process, grant cash management, grant allowability review, and federal procurement.

Tax Billing:

During our reconciliation of the tax levy to the assessment documentation, we noted that the public service corporation tax was billed entirely at the personal property rate when the majority of it should have been the real estate rate creating an overbilling of those entities.

Payroll Taxes:

During our reconciliation IRS forms to the payroll costs in the ledger, we noted it appears that the 2nd quarter 2023 IRS 941 form has an error in the line 2 amount reporting. It appears that line 2 and line 5 were switched. Further, it was noted that the Town has been including the 457 plan as pretax FICA which is likely an error. We recommend the Town review compliance regarding these items and make any necessary corrections.

Blue Highway Fest:

During our review of revenues, we noted that the Town joined an LLC for the operations of the Blue Highway Fest. The Town should be reporting the investment in the LLC using the equity method of accounting. For fiscal year 2023, it appears the Town incurred expenditures in excess of revenues of \$229,579 so it is likely that any investment would be negligible or zero.

We recommend the Town obtain accounting from the LLC to determine what the cash, receivables, unearned revenues, sales, and expenses would be as of the fiscal year end. Further, we recommend the Town reconcile the activity from the festival against the Town records periodically to ensure they are appropriate.

Interfund Balances:

During our audit, we noted that the Town has significant interfund balances due between funds that have been outstanding for multiple years. We recommend Council implement a plan to repay these balances or forgive them.