



# ROBINSON, FARMER, COX ASSOCIATES, PLLC

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*Certified Public Accountants*

**DATE:** October 13, 2023

**MEMORANDUM TO:** James M. Halasz, City Manager  
City of Lexington

**FROM:** Robinson, Farmer, Cox Associates

**REGARDING:** Audit for the Year Ended June 30, 2023

In planning and performing our audit of the financial statements of City of Lexington, Virginia for the year ended June 30, 2023, we considered the City'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 the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated October 13, 2023, on the financial statements of the City of Lexington, Virginia. 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, to perform any additional study of these matters, or to assist you in implementing the recommendations.

## School Board

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### Credit Card Documentation

During testing, we were unable to locate sufficient supporting documentation for purchases totaling \$489.85 out of \$9,557.76 tested. A portion of the missing documentation related to a deleted Amazon account. Sufficient, detailed documentation should be obtained and reconciled to the credit card statement prior to payment of same being made. Documentation should be maintained for audit purposes.

### School Construction Grant Funds

In accordance with Code section 22.1-175.5, a separate account should be established for school construction fund awards and any interest on such funds shall be used in accordance with the grant award. Currently, the school construction funds are in the pooled cash account. We recommend that a separate bank account or separate fund in the ledger be established to ensure that amounts are appropriately segregated and tracked for expenditure in accordance with the Code.

## City

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### Medical Insurance Payable

Amounts paid per the invoice do not appear to be reconciled to the amounts withheld for respective payroll runs. The balance in the account is not coming to zero as would be expected. We recommend that management investigate the difference, post an adjustment as necessary, and reconcile payments to underlying payroll registers to ensure appropriate amounts are withheld.

### Credit Card Documentation

During review, we noted over \$5,780 worth of gift card purchases on credit cards for which recipient information was not maintained with credit card documentation. If gift cards are purchased, we recommend that they be treated like cash. Recipients should sign an acknowledgement of receipt of the gift cards and same should be kept with the credit card documentation for audit purposes.

#### Urban Highway Maintenance Reporting

Amounts reported on the annual highway maintenance report differed from monthly sheet for labor and equipment for 4 out of the 6 items tested. While the totals are not considered material, we recommend that care be taken to ensure that amounts reported agree to the monthly sheets.

The UHM report is due by March 31. Due to turnover during the year, the report was not submitted until May 8, 2023. We recommend that someone be cross-trained to help prepare the report should there be turnover or an unexpected absence during the reporting timeframe.

#### City and School Board

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#### Written Policies for Federal Programs

The Uniform Guidance requires that the entity have certain written policies to ensure compliance related to federal programs. We were unable to obtain copies of same during the audit. We recommend that management adopt written policies/procedures as required and provide same for audit purposes.