



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

DATE: November 25, 2024

MEMORANDUM TO: Jackie Morris, Finance Director
Town of Pulaski, Virginia

FROM: Robinson, Farmer, Cox Associates

REGARDING: Audit for the Year Ended June 30, 2024

In planning and performing our audit of the financial statements of Town of Pulaski, Virginia for the year ended June 30, 2024, 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 the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated November 25, 2024 on the financial statements of Town of Pulaski, 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. Please note: **The audited financial statements contain findings in the schedule of findings and questioned costs and should be reviewed in conjunction with the comments below.**

Statements of Economic Interest

During review, we noted that several forms that were not filled out in their entirety. We recommend that steps be taken to ensure that Statements of Economic Interest forms be completed in their entirety.

Urban Highway Maintenance (UHM)

The UHM report filed during the year includes amounts from the cost allocation plan related to engineering. The most recent cost allocation plan was as of June 30, 2019. We recommend that if the cost allocation plan will be used for amounts reported for UHM, the plan should be updated annually.

Accounts Payable

Detailed accounts payable listings do not agree with accounts payable balances per the trial balance for several funds. We recommend that a reconciliation be performed routinely to ensure that balances are appropriately reported. If invoices are entered as accounts payable at the time of payment, the balance per the ledger should be zero throughout the year until adjusted for year-end accruals.

Grant Processing and Reconciliations

During review, it was noted that an EDA reimbursement request that was initially submitted for \$239,624.57 was updated at the federal level to \$29,041.86 resulting in a significantly reduced reimbursement. It appears that there was not a reconciliation or review of requested amounts to actual amounts received during the year and this was not caught as part of the grant request process. We recommend that a reconciliation or review of amounts requested and received be performed routinely for all grants to ensure that amounts are appropriately processed.

We noted that reimbursement requests are not performed routinely. To ensure that revenues and expenditures are appropriately matched in accordance with account principles, we recommend that reimbursement requests be performed at a minimum quarterly. Year-end requests should be completed as close to year-end as possible to ensure appropriate reporting.

Payroll Withholding Accounts

During review, we noted that several of the payroll withholding accounts do not net to zero as expected throughout the year or at year-end and balances are growing over time. For example, the VACORP Hybrid Disability account in the General fund has a debit balance of \$21,753 as compared to a debit balance of \$14,476 in prior year. The account balances should be reviewed monthly and investigated. Entries should be posted as needed to ensure that balances reported are correct and/or payroll withholdings should be evaluated for appropriateness if necessary.

Ledger Completeness

During the year, cash was moved from the main operating account into a VIP liquidity account. The new VIP accounts were not set up in the system as cash/investment accounts; however, they were recorded by the consultant during the pre-audit work. Additionally, during the SPDA confirmation process, it was determined that there is a separate bank account for the Pulaski Housing and Redevelopment Authority that is not in Edmunds in an accounting a software so that a set of books can be provided. Per inquiry, Edmunds was updated during the audit process to include the VIP and Authority related accounts. The Authority's activity should be reviewed routinely to ensure that an audit is performed if the financial transactions exceed \$25,000 in accordance with Code section 30-140.

Water and Sewer Funds Minimum Cash Requirements

The VRA issuances in fiscal years 2023 and 2024 have requirement wherein unrestricted cash or cash equivalents in the enterprise funds must be not less than 25% of operation and maintenance expense for the funds. As of June 30, 2024, the Town is not in compliance with the minimum cash requirements. However, there are receivables related to the JH Direct Injection project that would bring the Town into compliance, which indicates that there is a timing difference causing the noncompliant result. We recommend that management review balances routinely and ensure that any such reimbursements are processed timely to ensure that cash is received to maintain compliance with the aforementioned minimum cash requirement.

Account Integrity

During review, we noted that several projects posted to the Grants Fund that related to the Water and Sewer Funds. Business-type activities and governmental activities must be tracked separately. A separate grant fund should be created for water and sewer. Related projects should be posted to same so that the respective grant fund can be merged with the major fund for reporting purposes.

Expense accounts labeled as "use of fund balance" were used to report the expenditure of funds. Expenditures should be posted to the applicable department and account to which the underlying expenditure relates. "Use of fund balance" accounts would only be utilized for revenue that was received in a prior year and carried forward for expenditure in a subsequent period to help ensure that a balanced budget is created.