



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

DATE: October 10, 2022

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

FROM: Robinson, Farmer, Cox Associates

REGARDING: Audit for the Year Ended June 30, 2022

In planning and performing our audit of the financial statements of City of Lexington, Virginia for the year ended June 30, 2022, 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 10, 2022, 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

Conflict of Interest Forms

During review, we noted that one of the conflicts of interest forms was not filled out in its entirety for the School Board. We recommend that care be taken when completing the forms to ensure that the appropriate form(s) are completed in their entirety each year. Sections that may not be applicable should be marked as such to ensure that a reviewer is able to easily verify that forms have been reviewed and completed in full.

City

Payroll Accruals

The VRS employee payable account appears to be double what it should be; however, the total accrued payroll appears reasonable. We recommend that the withholding payable accounts be reviewed routinely to ensure that they are clearing as expected and to ensure the amount reported at year end is appropriate.

CSA Reimbursement Requests

In June there were voided checks for CSA totaling \$18,532.36 and we were unable to determine that the voided checks were excluded from the reimbursement request(s) processed. We recommend that management investigate these amounts to ensure that they were not reimbursed.

City and School Board

Capitalization Thresholds

We recommend that a formal capitalization policy be established to include right-to-use intangible asset thresholds by types of assets to assist in evaluating leased assets for inclusion in the financial statements with the implementation of GASBs No. 87 during the fiscal year. The policy might also consider the allocation of equipment and maintenance/services for copier equipment when same is not specifically stated in the lease agreement to ensure consistency of reporting.

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.