



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

DATE: May 1, 2026

MEMORANDUM TO: Mr. Tracey Shiflett, Town Manager
Town of Broadway, Virginia

FROM: Robinson, Farmer, Cox Associates

REGARDING: FY 24 Audit

In planning and performing our audit of the financial statements of the Town of Broadway, Virginia for the year ended June 30, 2024, we considered the Town's internal controls 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 controls and other operational matters that are presented for your consideration. This letter does not affect our report dated May 1, 2026 on the financial statements of the Town of Broadway, Virginia. Our comments and recommendations are intended to improve the internal controls 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.

Current Year Recommendations:

Weldon Cooper State Survey

During our audit, we noted that the amounts reported on the Town's VDOT Road, Street, and Highway Finance Survey for fiscal year 2023 could not be reconciled to the Town's FY2023 financial statements. We recommend that amounts reported to VDOT be supported by, and traceable to, the audited financial statements, or that a documented reconciliation be prepared and maintained.

Credit Card Documentation Policy

During our audit of procedures, it was noted that support for credit card charges is not consistently provided. This practice could result in the payment of unsupported credit card charges and thereby unauthorized expenses. We also observed that the Town does not have a formal documented credit card policy. We recommend that the town document a formal credit card policy, which includes a provision requiring supporting receipts be submitted for all charges for which it is practical to obtain a receipt. Also, the business purpose of the expense should be clearly documented, and the policy should limit the use of credit cards for certain specified transactions.

Fund Balance Policy

During our audit, we noted that the Town does not have a formally adopted fund balance policy. Establishing a fund balance policy provides guidance on maintaining adequate reserves for financial stability, cash flow needs, and unforeseen expenditures. It also promotes consistency in financial decision-making and enhances transparency to stakeholders. We recommend that the Town adopt a formal fund balance policy that defines target reserve levels, the intended use of committed and assigned funds, and procedures for replenishing fund balance when necessary.

Purchase Orders and Documented Approval

During our audit of expenditures, we observed that purchase orders are not consistently supported by documented approval. A documented approval process is an important internal control that helps ensure expenditures are authorized, budgeted, and aligned with the Town's procurement policies. We recommend that the Town implement procedures requiring formal, documented approval of purchase orders before goods or services are ordered, and that such documentation be retained for audit purposes.

SPDA Requirements

The Commonwealth of Virginia amended its Security for Public Deposits Act ("SPDA") regulations and now require Virginia public depositors to use the Treasury web-based Public Funds Search feature to ensure the banks they use are accurately reporting their public funds to the Treasury Board. This verification process must be completed each quarter.

Recommendations from the Prior Year Still Applicable:

Inventory

During our audit, we noted that the Town did not have a process in place to ensure inventory unit costs were maintained. We recommend that periodic inventory counts be completed and unit costs maintained in order to reconcile to the general ledger.

Establish and Implement Accounting Policies and Procedures

During our audit, we noted that well-defined accounting policies and procedures have not been established. We suggest that the Town establish a standard accounting manual that would inform all employees of desired operating procedures and policies. A manual could be developed as accounting policies and procedures are established and formalized. This manual could help to standardize the Town's accounting processes and could be used to inform all employees of desired operating procedures and policies. Such a manual could greatly minimize the time required to train any new staff members with accounting responsibilities. Features of the system of internal controls would also be documented in the manual for future review and evaluation.

At a minimum, the manual should include:

- An organizational chart of *The Town of Broadway*.
- Job descriptions, outlining duties and responsibilities.
- Descriptions of methods, procedures and accounting principles to be followed including explanations and examples of principle transactions.
- A chart of accounts with detailed explanation of the items to be included therein.
- Any other documents or forms for which uniformity of use is desired.

A well-structured accounting policies and procedures manual can be very helpful in ensuring that proper procedures and related internal controls are in place and consistently followed.

Uniform Guidance Policies and Procedures

The Office of Management and Budget (OMB) issued guidance on Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards. The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Financial Awards (The “Super Circular”, or “Uniform Guidance”) requires some major policy reforms which are required to be implemented by all entities receiving federal funding. These policy reforms should be implemented as soon as possible in order to avoid noncompliance with the terms and conditions of current federal awards and the direct and material compliance requirements for federal awards.

The following sections of the Uniform Guidance require nonfederal entities that receive federal awards to establish written policies, procedures, or standards of conduct:

- Conflict of Interest (§200.112)
- Financial Management (§200.302)
- Payment (§200.305)
- General Procurement Standards (§200.318)
- Competition (§200.319)
- Methods of Procurement to be Followed (§200.320)
- Compensation – Personal Services (§200.430)
- Compensation – Fringe Benefits (§200.431)
- Relocation Costs of Employees (§200.464)
- Travel Costs (§200.474)

In order to ensure that your policies and procedures meet these new requirements, we recommend that you review the new requirements in detail and revise your current policies, as necessary.