

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Date: December 23, 2016

Memorandum to: David Ridpath, City Manager
Patricia Cox, Finance Director

From: Robinson, Farmer, Cox Associates

Regarding: FY 15-16 Audit

In planning and performing our audit of the financial statements of the City of Radford, Virginia for the year ended June 30, 2016, we considered the City's internal control structure to plan our auditing procedures for the purpose of expressing our opinion 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. 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.

Statements of Economic Interests: Council members, Constitutional Officers and certain appointees and employees are required to complete a form semi-annually called the Statement of Economic Interest Form. In reviewing these forms, we noted that forms were not on hand for two individuals and several forms were submitted late to the State. The State has the ability to fine individuals that do not file and/or file these forms late. In the future, forms should be filed in a timely manner with the State.

Overall Reconciliation of Cash:

The City maintains two accounting systems, one in the Finance Department and one in the Treasurer's Office. In addition, the School Board maintains their financial statements in a separate system. At year end the three systems did not reconcile to one another; however the final differences were immaterial to the financial statements. We understand that the Treasurer's Office is in the process of transitioning to the City's accounting system. This will reduce the complexity of the monthly reconciliations and should alleviate this comment in future periods.

Inventory:

During our review of the City's inventory, we noted errors in recorded inventory against actual counts of materials on hand. These differences were immaterial to the financial statements; however, the departments that maintain inventory should be more accurate in their year-end counts.

Social Services Reconciliations:

Each month the Social Services Department submits a request for funding to the State based on actual expenditures incurred. The Department currently runs monthly expenditure reports to complete these requests. We noted that the Department runs the monthly expenditure reports shortly after month end and in some cases final adjustments have not been posted. For the year ending June 30, 2016, we could not reconcile expenditures reported to the State with expenditures reported by the City. In the future, the Department should perform an annual reconciliation to ensure all accounting adjustments have been captured in their State requests.

Social Services Credit Cards:

In reviewing credit card statements and receipts at the Social Services Department, we noted that detailed receipts did not exist for all items purchased. It is our understanding that the Agency has counseled staff on the need to maintain complete documentation and going forward documentation will be complete.

Social Services Credit Card Fees and Interest Charges:

We noted that the Social Services Department incurred late fees and interest charges due to late payments on their credit cards. We recommend that the Agency take steps to ensure credit card statements are paid in a timely manner, so these fees (and interest) can be avoided.

Special Welfare Reimbursements:

During our review of the Social Services Department's special welfare account, we noted that reimbursements from the account are not processed monthly. This account holds money that in some cases can be used to offset expenditures of local, state and federal welfare programs. In the future, reimbursement to the City from the special welfare account should be processed monthly.

Construction Projects:

During our review of a City construction project, we noted that the City did not obtain a bid bond from companies that submitted proposals to the City. In the future, the City should require bid bonds in accordance with the *Code of Virginia, 1950 as amended* in section 2.2-4336.

Delinquent Listings:

During our review of delinquent balance listings, we noted that the receivable listings for proprietary billings (water, sewer, garbage and electricity) did not agree with control totals maintained in the City's general ledger. In discussions with management, we determined that

this may be a software issue. We recommend that the City work with their software vendor to reconcile the detailed receivable listings against control totals.

Delinquent Accounts:

The City's proprietary receivable listing (water, sewer, electricity and garbage) currently has a balance due on delinquent accounts (over 120 days) of \$1.3 million dollars. This balance has accumulated over a number of years. We recommend that the City write off delinquent accounts and going forward develop a methodology to write off accounts periodically in the future.