



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: June 1, 2026

Memorandum To: Management
City of Martinsville, Virginia

From: Robinson, Farmer, Cox Associates

Regarding: Audit for fiscal year ended June 30, 2025

In planning and performing our audit of the financial statements of City of Martinsville, Virginia as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This memorandum summarizes our comments and suggestions regarding those matters.

We would be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Audit Entries and Preparation

As a result of audit procedures performed, we proposed audit entries that were necessary for the financial statements to be presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. We recommend that management review the audit entries proposed as a result of the audit in an effort to record routine journal entries prior to future audit fieldwork. In the year-end closing procedures and preparation for audit, account reconciliations should be performed to determine whether all activity is properly reflected in the general ledger and appropriate journal entries made. Efforts should focus on reducing the number and amount of general ledger adjustments proposed by the auditors.

Grant Reporting

During our audit it was noted that one of the City's quarterly Project & Earnings (P&E) reports was not submitted and another was submitted several months after the required submission date. It was noted during our testing that the missed deadline for both P&E reports was due to turnover of staff, and that once the issue was discovered, City management worked with the Department of the Treasury to bring the matter to the best conclusion that could be reached. We recommend that City management develop a process for managing grants to allow for timely submission of required grant reporting.

Maintenance of Medical Co-Pay Documents by Sheriff's Office

During our audit it was noted that a significant amount of the medical co-pay documents requested for testing were unable to be located by the Sheriff's Office staff. We recommend that City management review the Sheriff's Office's controls over document maintenance and retention, to ensure that necessary documentation can be made available to support recorded transactions.

Budget Appropriations

Per the Code of Virginia §15.2-2506, no expenditures shall be paid prior to appropriation for the expenditure. It was noted during our audit that a number of reporting elements had expenditures exceeded appropriations at year-end. The most notable reporting elements with expenditures exceeding appropriations include the following:

- ARPA expenditures
- Comprehensive services
- Community development
- Community development block grant
- EMS - vehicles
- Operation and maintenance of school plant
- Instruction costs

We recommend that City management clearly communicate all budgetary requirements to City Council for appropriation before expenditures are incurred and paid. Throughout the year, City Finance should routinely record budget adjustments, monitor the budget monthly, and communicate with departments on a regular basis regarding their expenditures in relation to approved budgets.

Approval of Disbursements to Management and Management Credit Card Charges

During our audit it was noted that a significant amount of the disbursements to management officials which were selected for testing were certified for payment by the individual to whom the disbursement was made or by an individual in a role subordinate to them, and some of the disbursements did not receive any approval. Of the credit card charges made by management officials, it was noted that a significant amount of the disbursements were approved by the individual making the charges or by an individual in a role subordinate to them. We recommend that City management review the controls over the approval process for disbursements and credit card charges. Disbursements made to members of City management, and credit card charges made by them, should not be certified for payment or approved by the individual or anyone in a position subordinate to them.

Business Purpose of Travel-Related Expenditures

During our audit it was noted that certain travel-related expenditures appeared to exceed the level reasonably necessary to fulfill the documented and approved business purpose. We recommend that City management establish and communicate guidelines governing travel-related expenditures to help ensure that costs incurred are reasonable, appropriate, and aligned with the documented business purpose.