

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Date: January 21, 2022

Memorandum to: David Ridpath, City Manager
Chelista Linkous, Finance Director

From: Robinson, Farmer, Cox Associates

Regarding: FY 20-21 Audit Recommendations

In planning and performing our audit of the financial statements of the City of Radford, Virginia for the year ended June 30, 2021, 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.

Fire Program Funds:

The City receives fire program funds from the State annually (approximately \$62k in 2020) and completes a form to report how the funds were spent. The form filed for the 2020 fiscal year shows that the City is carrying over funds totaling \$631,882 to the 2021 fiscal year; however, it appears that the City has incurred allowable cost (such as debt service related to the purchase of a fire truck in 2018) that could be applied against this balance. We recommend that the City review these filings and determine if allowable cost have been incurred, but unreported to the State.

Budget to Actual Reports:

During the audit, we noted adjustments to the budget were not posted in a timely manner to the accounting system. Budget adjustments including supplemental appropriations and transfers of budgeted amounts should be posted when authorized in the future.

Virginia Department of Transportation (VDOT) Reporting:

Annually, the City provides a report on how their Highway Maintenance Funds from VDOT were spent. We noted that the report for the fiscal year ending June 30, 2020, was not filed by the deadline of March 15, 2021. These forms should be completed and filed by the deadline imposed by VDOT.

Disclosure Forms:

During our review of real estate disclosure forms, we were unable to locate forms for some members of the Board of Zoning Appeals and the Planning Commission. In the future, members of the aforementioned should complete their disclosure forms in accordance with the *Code of Virginia, 1950 as amended* section 2.2-3115(G)

Property Disturbance Bonds:

We noted that the City has been holding property bonds for several years. These bonds are likely either due to the City or the payee (contractor) depending on the status of work required under the bonds. We recommend that the City review these bonds and determine if they are active. If the bonds are not active, they should either be recognized as revenue by the City or returned to the payee.

Highway Funding Program:

The City participates in the Virginia Department of Transportation's (VDOT) Urban Highway Maintenance Program (Program). The City receives annual funding from the State and subsequently provides a report to the State on how funds were spent. The City maintains a dedicated Highway Maintenance Fund to track allowable expenditures; however, expenses related to public grounds and park maintenance were included in the fund for the past two years and reported to State incorrectly as VDOT expenses. We also noted that some allowable capital costs (accounted for in other funds) were not reported to the State as eligible costs. We recommend that the City schedule eligible expenditures from prior periods (both within the highway maintenance fund and in other funds) and compare same against revenue received from the State to determine any required carryovers going forward.

Overall Reconciliation of Accounting Systems:

The City maintains two accounting systems. One system (AS400 System) is used by the Treasurer primarily to collect taxes, but also has control totals for ending account balances (Fund balances, Cash balances, etc...). The City maintains a general ledger package (Munis). To ensure both sets of books are correct, the City performs reconciliations of the systems to one another and then to external data such as bank reconciliations. These complex reconciliations are time consuming; but can be eliminated if the City migrates all activity from the AS400 to the City's system (Munis). We understand that the City is working toward one consolidated system and encourage the City to continue movement in that direction. **(Note: This item is also reported in the City's financial report as a material weakness and in the current year)**

Capital Assets:

The City's capital asset listing does not contain sufficient detail in some cases to properly identify assets (primarily land holdings). It appears that unique numbers were assigned to parcels owned by the City; however, we could not determine how these numbers relate to parcels in the GIS system. Accordingly, we recommend that the City perform a reconciliation of land reported in the capital asset listing to land reported in GIS under the City's name.