



Independent Auditor's Report on Comments and Suggestions

To the Honorable Members of the Town Council
Town of Vinton, Virginia
Vinton, Virginia

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Vinton, Virginia (the "Town") as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements and to comply with any other applicable standards, such as *Government Auditing Standards* and the regulations set forth in the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as presented in this letter, we identified certain deficiencies in internal controls that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

If material weaknesses or significant deficiencies were identified during our procedures they are appropriately designated as such in this report. Additional information on material weaknesses or significant deficiencies and compliance and other matters is included in the ***Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*** which should be read in conjunction with this report.

Additionally, during our audit, we may have become aware of certain other matters that provide opportunities for improving your financial reporting system and/or operating efficiency. Such comments and suggestions regarding these matters, if any, are also included in the attached report, but are not designated as a material weakness or significant deficiency. Since our audit is not designed to include a detail review of all systems and procedures, these comments should not be considered as being all-

inclusive of areas where improvements might be achieved. We also have included information on accounting and other matters that we believe is important enough to merit consideration by management and those charged with governance. It is our hope that our suggestions will be taken in the constructive light in which they are offered.

We have already discussed these comments and suggestions with management, and we will 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. A review of the status of our prior year comments and suggestions is included on pages 4-6.

The Town's responses to our recommendations are included in this report. The responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of the Council, management, and the appropriate state and federal regulatory agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
March 26, 2025

Town of Vinton, Virginia

Comments and Suggestions

June 30, 2023

Timeliness of Reconciliation Review

In our review of one out of twelve bank reconciliations, we noted that the reconciliation was not completed and reviewed timely. Timely completion and review are one of the most important internal controls to promptly detect and recognize potential errors. This mitigates the risk of errors or problems progressing and provides more accurate reports for management decisions. We recommend that a schedule of completing reconciliations and reconciliation reviews on a set time frame is implemented and adhered to.

Management Response: Management agrees with the recommendation. Staff is prioritizing completing and reviewing the monthly bank reconciliations by the 15th of the following month. Staff will use the next fiscal year to work out and rearrange any duties to ensure the completion of this task.

Final Inventory Listing (Significant Deficiency)

While the Town performed an inventory count at year-end, they failed to produce a finalized inventory listing as of June 30, 2023. We were unable to determine if the inventory remaining after the transfer of water and sewer operations to Western Virginia Water Authority was material. Once the finalized list was provided, it was determined that the inventory balance in the stormwater fund was material.

We recommend having an up-to-date inventory listing as of year-end to ensure that inventory is appropriately recorded and reconciled to the general ledger.

Management Response: Management has communicated to the appropriate departments the importance of year-end inventory counts and promptly submitting the information to the finance staff. In the future, finance staff will follow up with all departments before year-end to ensure a scheduled inventory date has been reserved and communicated to the auditors.

Town of Vinton, Virginia
Prior Year Comments and Suggestions
June 30, 2023

Segregation Of Duties (Material Weakness)

Internal controls are designed to safeguard assets and detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. Although the size of the Town's accounting staff prohibits complete adherence to this concept, we believe that the following practices could be implemented to improve existing internal control without impairing efficiency:

- Mail should be opened by an employee not responsible for accounting, such as the Town Clerk. Cash receipts could be recorded and the deposit prepared by this person. The cash receipts journal, supplemented by remittance advice, could be forwarded to the accounting staff for postings to the general ledger and detail customer accounts.
- Customer complaints, returned checks, disputed items, and other such matters should be investigated by someone who is independent of preparing daily cash receipts and preparing deposits.
- Checks and remittance advice should be placed into envelopes and mailed by someone with no other accounting responsibilities.
- Water and sewer billing should be independent of the accounts receivable function.

Current Year Status: Condition related to checks and remittance advices being placed into envelopes and mailed by someone with no other accounting responsibilities is still relevant. The other conditions are no longer relevant due to the transfer of water and sewer operations to the Western Virginia Water Authority.

Management Response: Management indicated that mail being sorted and delivered to the Treasurer's Office by the Town Clerk may be an option but will not be receipted and deposited by the Town Clerk. Customer complaints, returned checks, and disputed items being investigated by someone independent of preparing daily cash receipts is limited by the small staff in the Treasurer's Office. Checks and remittance advice for accounts payable items are reviewed before mailing by two individuals signing for the checks. With the limited staffing and the job responsibilities within the office, all staff members have accounting responsibilities. Water and Sewer billings are reviewed by the Treasurer. A lock has been placed into the system where the four individuals that have check signing responsibilities are required to authorize the accounts payable before the Financial Analyst can proceed to print checks. Checks have electronic signatures on them but still require a two-person sign-off on a control sheet verifying check numbers and check dates. Delegation of responsibilities within the Finance department is limited by the staffing. Management will segregate these functions as much as possible and implement system controls to the extent possible with the ERP Software Upgrade.

We noted that the Finance Staff has the ability to edit the master vendor file. Although there are compensating controls in place such as the review and purging of the vendor listing yearly, the review of vendors names during the check preparation process by multiple finance employees, and budget to actual variances, we recommend someone independent of the accounts payable function review the master vendor list periodically for new vendors added and also changes to vendor addresses. This review should include a verification of the vendor's validity. Additionally there should be a standard operating procedure in place to document the review.

Current Year Status: Conditions are still present.

Management's Response: Management agrees that a change in who opens the mail can be transferred to the Town Clerk's office, but the receipt and deposit by the Town Clerk are not permitted. Any customer complaints, return checks, or disputed items that need to be investigated by someone independent of preparing daily cash receipts are limited by the small staff of the Treasurer's Office. We have ERP (current) system controls in place that limit staff responsibilities within the office and locks that do not allow certain individuals from moving forward in the check printing process prior to supervisor approval. Management will work towards segregating duties among the limited Finance Staff. These segregations will continue during the conversion of the new ERP system.

Town of Vinton, Virginia
Prior Year Comments and Suggestions
June 30, 2023

Audit Adjustments (Material Weakness)

During the audit, we noted that several year-end adjustments were required to ensure that the financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

The adjustments related to debt, receivables, deferred revenue, and capital assets are as follows:

- Regarding governmental activities long-term debt, it appears that the roll forward was not reviewed before year-end entries were made, resulting in additional adjustments to long-term debt ending balances.
- Regarding the business-type activities long-term debt, principal payments were recorded as an expense rather than a reduction to long-term debt, resulting in additional adjustments to these accounts.
- Regarding governmental activities and business-type activities accrued interest, amortization schedules were not reviewed before entries were made, resulting in additional adjustments to these accounts.
- Regarding governmental activities, intergovernmental receivables, tax receivables, and deferred revenue were not reconciled and adjusted at year-end.
- Regarding governmental activities and business-type activities capital assets, roll forward workbook and depreciation schedules were not reviewed before entries were made, resulting in additional adjustments.

We recommend establishing procedures in which qualified supervisors review year-end work papers and reconciliations that feed into the final trial balance and financial statement reporting.

Current Year Status: Condition is still present.

Management's Response: Management agrees that procedures must be established for the year-end review of work papers and reconciliation.

Education and Training

During our audit, it became apparent that the Finance Department employees involved in the year-end audit preparation would benefit from additional education and training in generally accepted accounting principles. Training serves several functions:

- It is vital to employees' understanding of their job requirements;
- It enables new employees to master the learning curve;
- It provides a sense of belonging and value for an employee;
- It can foster team spirit; and
- It is evidence of the Town's commitment to development the skill-set of its employees.

Because of these benefits, we recommend that training be expanded to include all Finance Department employees. Since the Town may operate under budget constraints, a cost-effective way to stretch training dollars is to have employees who are sent to outside specialized training seminars also hold onsite training sessions for the other employees. In addition, we would be happy to provide some basic governmental accounting course for a nominal amount. As a side benefit, by having those employees hold on-site training sessions, concepts learned are reinforced, thus increasing knowledge retention.

Current Year Status: Condition is still present. Suggested areas for training include capital assets, long-term debt, and the preparation of the Schedule of Expenditures of Federal Awards.

Management's Response: Management concurs with the recommendation.

Town of Vinton, Virginia
Prior Year Comments and Suggestions
June 30, 2023

Schedule of Expenditures and Federal Awards (Significant Deficiency)

During the audit, we noted that the Town does not have effective internal controls with regard to federal awards. The Schedule of Expenditures of Federal Awards (SEFA) was prepared without supervisor review, resulting in several auditor corrections. We recommend that management develop and implement internal controls with regard to federal awards..

Current Year Status: Condition is still present.

Management's Response: Management agrees that internal control policies concerning federal awards should be established. An internal control policy and procedure is being developed.

Information Technology Policies and Procedures

During our review of the information technology controls for the Town we noted several areas where there is a lack of formal policies and procedures.

Current Status: The Town cleared several conditions, and the remainder were downgraded to best practice recommendations.

Capital Assets

During our review of capital assets, we noticed that the Town did not include all additions to Construction in Progress that should have been capitalized as of June 30, 2021. We recommend that the Town implement procedures to ensure all invoices that should be capitalized at year-end are captured appropriately.

Current Status: Condition is no longer present.

During our review of capital assets, we noticed that the Town did not include certain assets placed into service last year on the depreciation schedule to be depreciated. We recommend that the Town implement procedures to ensure all assets are captured appropriately on the depreciation schedule.

Current Status: Condition is no longer present.