

CITY OF ROANOKE, VIRGINIA

**COMMENTS ON INTERNAL CONTROL AND
OTHER SUGGESTIONS FOR YOUR
CONSIDERATION**

June 30, 2019

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT ON COMMENTS AND SUGGESTIONS	1
COMMENTS AND SUGGESTIONS	3

INDEPENDENT AUDITOR'S REPORT ON COMMENTS AND SUGGESTIONS

To the Honorable Members of the City Council
City of Roanoke
Roanoke, Virginia

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Roanoke as of and for the year ended June 30, 2019, 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 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.

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.

This communication is intended solely for the information and use of the City of Roanoke, 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
November 29, 2019

CITY OF ROANOKE
COMMENTS AND SUGGESTIONS

BANK RECONCILIATIONS – CIVIC FACILITIES

During our review of bank reconciliations, we noted that the Civic Facilities did not perform a bank reconciliation timely. We recommend completing the bank reconciliation by the 15th of the following month to ensure accuracy and timeliness.

BANK RECONCILIATIONS – CITY

During our review of bank reconciliations, we noted an occurrence in which the City did not perform bank reconciliation timely. We recommend completing the bank reconciliation by the 15th of the following month to ensure accuracy and timeliness. The City has since implemented a timestamp procedure to identify who prepared and reviewed and when these processes were completed.

INVESTMENTS

During our review of investment reconciliations, we noted an occurrence in which the City did not document review and reconciliation of an investment statement. We recommend documenting by whom and when the reconciliation was prepared and reviewed. The City has since implemented a timestamp procedure to identify who prepared and reviewed and when these processes were completed.

CASH RECEIPTS

During our review of cash receipts, we noted one instance in which an employee in the police department opened, collected, and posted cash receipts. We recommend segregation of duties among those who collect cash receipts and those who post receipts to the accounting system.

PAYROLL – SOCIAL SERVICES

During our testing of payroll, we noted one instance in which there was no documented approval of an hourly employee's time card approval. We recommend that a supervisor document their approval of timecards for hourly employees.

PROCUREMENT POLICIES

During fiscal year 2019, the sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) covering procurement became effective after a three-year grace period on the implementation date. The Uniform Guidance requires entities to have written policies and procedures in place covering many types of procurement situations, including conflicts of interest, avoidance of geographical preferences, bidding thresholds, value engineering, and others. While many of the requirements are currently covered in the City's policies, we noted a few areas that were not included in the City's written policies. We recommend that the City update policies to cover these areas as well so procurement policies are fully compliant with the Uniform Guidance.

CITY OF ROANOKE
COMMENTS AND SUGGESTIONS
(Continued)

PROCUREMENT POLICIES (Continued)

Those areas that should be included and/or revised were:

1. Procurement by “micro-purchases” (Section 200.320(a) of the *Uniform Guidance*) included in manual.
2. Procurement by “small purchases” (Section 200.320(b) of the *Uniform Guidance*) included in manual separately from VPPA guidelines.
3. Procurement by noncompetitive proposals as described in Section 200.320(f) included in manual separately from VPPA guidelines.
4. Performing cost or price based analysis in connection with every procurement action in excess of the “Simplified Acquisition Threshold” (\$250,000) as required in Section 200.323(a).
5. Costs or prices based on estimated costs for contracts under Federal award are allowable only to the extent that costs incurred or cost estimates would be allowable as described in Section 200.323(c).

Some of these items are in practice by the City, however, the Uniform Guidance requires written policies and procedures, so we recommend that all items be documented in a written policy document.