



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: July 8, 2026

Memorandum to: Jeff Shupe, City Manager
Treavor Calhoun, City Director of Finance
Nick Childers, School Director of Finance
Abe Rutherford, DSS Director

From: Robinson, Farmer, Cox Associates

Regarding: Audit Recommendations

In planning and performing our audit of the financial statements of the City of Norton, Virginia for the year ended June 30, 2025, we considered the City's internal control structure to plan our auditing procedures for the purpose of expressing our opinions 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. **These comments below should be read in conjunction with the schedule of findings and questioned costs included in the audited financial statements.**

City:

Written Policies and Procedures:

We recommend the City develop and/or update its financial policies to include the necessary requirements of Uniform Guidance.

Federal Audit Clearinghouse Submission:

During our audit, we noted that the City had not submitted the SF-SAC to the Federal Audit Clearinghouse in a timely manner. The filing is due the earlier of 9 months after fiscal year end or 30 days after release of the audited financial statements and SEFA. The FY2024 report was dated June 25, 2025 but not released in final until May 15, 2026 and the SF-SAC wasn't completed until July 1, 2026.

Taxes Receivable:

During our audit, we noted that the City does not have a Treasurer's Accountability function within Bright. Therefore, the City Treasurer does not have a process in place to verify the tax receivable posted to the levy agrees to the assessed taxes in total. The system tracks the taxes receivable in a subsidiary module but it does not work with the accounting system's general ledger to help ensure tax revenues are accurate. We recommend the City evaluate adding a Treasurer's Accountability fund to the system.

Budget Appropriations:

During our review of appropriations, we noted that several departments within the General Fund overspent their appropriations including Automotive/Motor Pool, 911 Dispatch, Regional Jail, Snow & Ice Removal, Payment to DSS, and Parks and Recreation. We recommend all departments have sufficient appropriations before any expenditure is incurred.

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City: (Continued)

Urban Highway Maintenance:

During our testing of the Urban Highway Maintenance program, we noted that the equipment rates as reported were inaccurate. The calculations for each vehicle/equipment were off one row generating an inaccurate amount per piece of equipment for each month of the FY2024 reporting which was filed during FY2025 and therefore requires testing per the Auditor of Public Accounts. In addition, we recommend ensuring that equipment purchased through the streets department is not claimed as a direct expense and then again charged as equipment use against the program. Further, we recommend ensuring that grant funded expenses are not included in the expenses as reported. Finally, we recommend implementing review procedures to ensure this report is accurate.

VRA Net Revenue Bond Covenant:

During our review of the City's bond covenants, we found that the City was not in compliance with the 100% net revenue rate covenant included in the Virginia Resources Authority (VRA) bonds. We recommend the City consider decreasing operating costs and/or increasing rates to meet this covenant going forward.

Interfund Balances:

During our audit, we noted that the City has significant interfund balances due between funds that have been outstanding for multiple years. We recommend Council implement a plan to repay these balances or forgive them.

Sheriff:

Shop with a Cop:

During our review of the Shop with a Cop bank account, we noted that the fund is not held with the Treasurer. The Virginia Sheriff's Accounting Manual notes that when the Sheriff accepts the donations, they become public funds and should be deposited with the Treasurer. These funds are also subject to appropriation. In addition, we recommend checks have two signatures. The Sheriff could opt to keep this bank account open and treat it as a petty cash account for this program. In this scenario, bank account should be classified as a public deposit (and verified as a public deposit) and the only receipts should be reimbursements from the City.

Social Services:

Special Welfare:

During our testing of the special welfare accounts, we noted one account that included an untimely reimbursement. We recommend these accounts be monitored and necessary transactions processed monthly. Further, the Thomas Brothers Activity Report ended June 30, 2025 did not agree to the reconciled balance of the Special Welfare bank account held by the Treasurer.

VIEW Payments:

During our testing of the VIEW program, we noted that DSS has not been indicating the specific services to be provided for each client on the VIEW Activity and Service Plan. We recommend the Activity and Service Plans be detailed to ensure that the client is receiving the proper benefits.

Laser Reconciliation:

During our audit, we noted a trivial variance for most months of the laser reconciliation. We recommend DSS reconcile each Thomas Brothers expenses each month with the City's accounting system to ensure the Laser reimbursement of state and federal funds is accurate.

School Board:

School Nutrition:

During our audit, we noted that the April 2025 reimbursement request for free and reduced lunches included the paid adult meals in the count. We recommend implementing a review process to ensure the counts are correct.

Written Policies and Procedures:

We recommend the School Board develop and/or update its financial policies to include the necessary requirements of Uniform Guidance.