



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: December 19, 2024

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

From: Robinson, Farmer, Cox Associates

Regarding: FY 23-24 Audit Recommendations

In planning and performing our audit of the financial statements of the City of Radford, Virginia for the year ended June 30, 2024, 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 \$73,000 in 2024) and completes a form to report how the funds were spent. The form filed for the 2023 fiscal year shows that the City is carrying over funds totaling \$744,529 to the 2024 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 remain unreported to the State.

Disclosure Forms:

During our review of Statement of Economic Interest and Real Estate Disclosure Forms, we noted that several forms were missing for officials. In discussions with staff it appears there is not a process in place to ensure officials are submitting the forms. We recommend the City come up with a process to ensure forms are completed and received by all required officials.

Post-Employment Benefit Census Data:

The City offers post-employment health benefits to retirees. To determine the liability associated with same, the City hires an actuary biannually to perform calculations on employee census data (i.e. age, gender, etc.). We test this data to determine if the actuarial reports are based on accurate information. During our testing this year, we noted several errors in the data provided to the City's actuary. We recommend that the City double check the data provided for the next actuarial valuation.

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.

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.

Budgeting Process:

In pulling together the budgetary comparison financial statements, we noted that certain **budgeted** amounts do not appear to have considered underlying relationships. For instance: we noted that State Comprehensive Services budgeted revenue was \$1.2 million and budgeted expenditures for the program were also \$1.2 million. Since this program has a local match requirement, budgeted State revenue should be less than budgeted expenditures. We recommend that the City expand the budget process to consider such relationships and also develop forecasting models for locally derived revenues based on historical trends and/or underlying assessment data. We also noted that budgets for the grants fund and capital project fund appear to be rolling over incorrectly and in some cases negative revenues and expenses are being shown.

Write-off General Bills Late Fees:

In reviewing the City's general bills accounts receivable, we noted there were large amounts posted each month for general bills late fees. After the late fees were reviewed by staff, it appears approximately 50% of the people and/or businesses that owed these bills have passed away or no longer in business. We recommend the listing be reviewed and balances that are deemed uncollectible to be written off. Additionally, we recommend the City follow up with those who still owe to try to collect payment.