



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

DATE: September 20, 2024

MEMORANDUM TO: Tom Carroll, City Manager
City of Lexington

FROM: Robinson, Farmer, Cox Associates

REGARDING: Audit for the Year Ended June 30, 2024

In planning and performing our audit of the financial statements of City of Lexington, 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 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. This letter does not affect our report dated September 20, 2024, on the financial statements of the City of Lexington, Virginia. 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, to perform any additional study of these matters, or to assist you in implementing the recommendations.

City

Credit Card Documentation

During review, we noted approximately \$1,263 worth of gift card purchases on credit cards for which recipient information was not maintained with credit card documentation. If gift cards are purchased, we recommend that they be treated like cash. Recipients should sign an acknowledgement of receipt of the gift cards and same should be kept with the credit card documentation for audit purposes. Additionally, if the gift cards are provided to employees, they are considered taxable per IRS guidelines.

Urban Highway Maintenance Reporting

Amounts reported on the annual highway maintenance report were not accurate and consistent with reporting in previous years. Management is currently working with the state to get update/corrected amounts reported.

Subledger Reconciliations

There is a difference between the accounts payable aging report and the trial balance for the General and Central Dispatch Funds. We recommend that management investigate the differences and post entries as needed to balance the subledger with the trial balance. Going forward, reconciliations should be performed routinely to ensure totals are balanced.

Deferred Tuition Listing

During review, it was noted that the non-resident tuition listing is not being appropriately updated and maintained to confirm the amount of tuition received during fiscal year 2024 related to the next school year. Instead, the total was backed into by the client to determine total amounts that were received in advance. We recommend that the spreadsheet be updated to ensure that a listing of students that have paid is readily available.

Written Policies for Federal Programs

The Uniform Guidance requires that the entity have certain written policies to ensure compliance related to federal programs. We were unable to obtain copies of same during the audit. We recommend that management adopt written policies/procedures as required and provide same for audit purposes.

Audit Adjustments

Adjustments were proposed as part of the audit process. We recommend that management review the adjustments and incorporate them into next year's trial balances as presented for audit where applicable.