



Town of Blacksburg, Virginia
Compliance Reports
Fiscal Year Ended June 30, 2020

TOWN OF BLACKSBURG, VIRGINIA

COMPLIANCE REPORTS

FOR THE FISCAL YEAR ENDED

June 30, 2020

DEPARTMENT OF FINANCIAL SERVICES

TOWN OF BLACKSBURG, VIRGINIA

TABLE OF CONTENTS

June 30, 2020

COMPLIANCE SECTION

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*..... 1

Independent Auditor’s Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance.....3

Summary of Compliance Matters.....6

SUPPORTING SCHEDULES

Schedule of Expenditures of Federal Awards 7

Schedule of Findings and Questioned Costs8

Summary Schedule of Prior Audit Findings 10

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blacksburg, Virginia (the “Town”), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated November 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town’s 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.**

Town of Blacksburg's Response to Finding

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia

January 22, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Blacksburg, Virginia's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2020. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms, and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal programs, based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited 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 Town, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated November 30, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
January 22, 2021

TOWN OF BLACKSBURG, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2020

As more fully described 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*, we performed tests of the Town's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Fire Programs Aid to Localities

State Agency Requirements

Highway Maintenance Funds

Stormwater Management

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

TOWN OF BLACKSBURG, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures	Expenditures to Subrecipients
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Community Development Block Grants	14.218	\$ 439,785	\$ 254,853
HOME Investment Partnership Program	14.239	1,270,378	373,500
<u>DEPARTMENT OF JUSTICE</u>			
Edward Byrne Memorial Formula Grant Program 20-J1212LO17	16.579	1,071	-
<u>DEPARTMENT OF TRANSPORTATION</u>			
<u>Transit Cluster:</u>			
Federal Transit - Capital Investment Grant	20.500	3,050,716	-
Federal Transit - Formula Grant	20.507	1,721,347	-
Federal Transit - CARES Act	20.507	3,650,488	-
MPO Grant	20.500	<u>62,872</u>	-
Federal Transit Cluster Subtotal		8,485,423	
VA90X560, VA202002801			
5339 VA-2018-032-0			
73019-66/67/68/69/70/71			
73018-94/96/97/98/99			
73115-43			
71317-6/18/48			
73118-14			
50018-01			
46019-11, 46020-11			
<u>Virginia Department of Transportation</u>			
Highway Planning and Construction	20.205	108,013	
<u>Virginia Department of Conservation and Recreation</u>			
Recreational Trails Program	20.219	10,206	
<u>Virginia Department of Motor Vehicles</u>			
Alcohol Impaired Driving Countermeasurer Incentive Grant M6OT-2019-59335/2020-50264 FSC-2019-59336/2020-50335	20.601	16,783	
<u>DEPARTMENT OF TREASURY</u>			
<u>Virginia Department of the Treasury/Montgomery County, Virginia</u>			
Coronavirus Relief Fund	21.019	<u>582,525</u>	
Total Expenditures of Federal Awards		<u>\$ 10,914,184</u>	

Notes to Schedule of Expenditures of Federal Awards

Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting as contemplated by generally accepted accounting principles.

Subrecipients

The federal expenditures of the Community Development Block Grants Program and the HOME Investment Partnership Program include grants to subrecipients for various rehabilitation projects throughout the Town

De Minimis Indirect Cost Rate

The Town did not elect to use the 10% de minimis indirect cost rate.

Outstanding Loan Balances

As of June 30, 2020, the Town had no outstanding loan balances requiring continuing disclosure

TOWN OF BLACKSBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2020

A. SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an **unmodified opinion** on the financial statements.
2. **One significant deficiency** relating to the audit of the financial statements was reported 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of major federal award programs were reported in the Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no findings related to the major programs**.
7. The programs tested as major are:

<u>Name of Program:</u>	<u>CFDA #</u>
Community Development Block Grants	14.218
HOME Investment Partnership Program	14.239
Federal Transit Cluster – Capital Improvement Grants	20.500
Federal Transit Cluster – MPO Grant	20.500
Federal Transit Cluster – Formula Grants	20.507
Federal Transit Cluster – CARES Act	20.507

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The Town was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2020-001: Segregation of Duties (Significant Deficiency)

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to physical assets and the related accounting records, to all phases of a transaction, or have unlimited system administrator rights. Due to the limited staff size, a proper segregation has not been established. The Town has put compensating controls in place, to the extent practical for day-to-day operation.

Recommendation:

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

Management’s Response:

The auditee concurs with this recommendation.

TOWN OF BLACKSBURG, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2020

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS AUDIT

None.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None noted.

TOWN OF BLACKSBURG, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2020

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2006-001: Segregation of Duties (Significant Deficiency)

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to physical assets and the related accounting records, to all phases of a transaction, or have unlimited system administrator rights. Due to the limited staff size, a proper segregation has not been established. The Town has put compensating controls in place, to the extent practical for day-to-day operation.

Current Status:

Condition still present.

TOWN OF
Blacksburg
VIRGINIA



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