



**Creedle
Jones
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A Professional Corporation

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

In planning and performing our audit of the financial statements of the City of Emporia, Virginia for the year ended June 30, 2021, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We reported on the City's internal control in our report dated February 3, 2023. This letter does not affect our report dated February 3, 2023 on the financial statements of the City of Emporia, Virginia.

We have discussed these comments and suggestions with the City's personnel, and we will be pleased to discuss them in further detail at your convenience.

Sincerely,

Creedle, Jones & Associates, P.C.

Creedle, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
February 3, 2023

MEMORANDUM

CITY OF EMPORIA, VIRGINIA

Management Letter Points

Monthly Bank Reconciliations (Recurring Recommendation from FY20)

Due to continued turnover in the Director of Finance position between the fall of 2019 and the fall of 2021 and due to the prolonged illness in the treasurer's office, monthly bank reconciliations were not performed timely during the audit period of July 1, 2020 to June 30, 2021. This function is critical in assuring that all monies deposited and expended by the City are being recorded properly and timely. As of June 30, 2021, no current bank reconciliations for the main operating accounts for the general fund or the water and sewer fund had been prepared. During the period of the fieldwork for the audit, the bank reconciliations were ultimately prepared. The bank reconciliations should be monitored by the finance department, the treasurer's department, and city council on a monthly basis. During final audit procedures, it was noted the City is improving the bank reconciliation process.

Water and Sewer Accounts Receivable Reconciliation (Recurring Recommendation from FY20)

The City should reconcile its water and sewer (utility) accounts receivable and billing to the general ledger on a monthly basis. We understand that there was also tremendous loss of personnel in this department as well, but the utility receivable reconciliation needs to be implemented and performed monthly as soon as possible. The general ledger balance as of June 30, 2021 did not reconcile to the subsidiary water and sewer ledger and had to be adjusted.

Payroll Reconciliation (Recurring Recommendation from FY20)

The payroll general ledger accounts should be reconciled to the payroll records at a minimum of semi-annually; (1) calendar year for W2 purposes and (2) June 30 in preparation for the fiscal year end audit. Payroll is the City's largest expense and procedures should be implemented to reconcile the general ledger to the payroll reports filed with the IRS, Social Security, and the Virginia Department of Taxation. Reconciliations are performed for the payroll system to match the reporting requirements of the taxing agencies, but not to the general ledger.

State and Federal Revenues (Recurring Recommendation from FY20)

The finance department should implement a monitoring and balancing procedure to reconcile its state and federal revenues to the Cardinal report at fiscal year end. Several grant revenues were misclassified and required audit adjusting journal entries to properly record state/federal revenues. The Treasurer's office should communicate with the finance department regarding posting EDI remittances. The finance department and the treasurer should review state and federal revenue general ledger accounts on a monthly basis to ensure consistent and proper recording.

Staff Training (BAI Accounting Software)

The City should implement proper training for new personnel. Operation errors are difficult and very time consuming to correct and can lead to inaccurate reporting of financial data. For the audit period ending June 30, 2021, the City had to request BAI to assist in posting numerous journal entries held in "holding accounts" and various other timing issues.

Transfers between Funds and Due To/From Funds

The finance department should establish a monthly reconciliation process to ensure that transfers and due to/from general ledger accounts balance. CJA recommends creating unique general ledger numbers in order to streamline the reconciliation process.

Cash and Debt Accounts

All debt and/or cash accounts should be set up and all activity recorded in the City's ledger on a timely basis. During the audit period, six bank accounts were not recorded in the City's ledger.