



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

DATE: December 2, 2022

MEMORANDUM TO: Jackie Morris, Finance Director
Town of Pulaski, Virginia

FROM: Robinson, Farmer, Cox Associates

REGARDING: Audit for the Year Ended June 30, 2022

In planning and performing our audit of the financial statements of Town of Pulaski, Virginia for the year ended June 30, 2022, we considered the Town'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 December 2, 2022 on the financial statements of Town of Pulaski, 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.

Budgetary Information and Appropriations

Currently, a budget is only adopted for the General, Grants, Water, and Sewer funds which means that amounts expended from other funds have not been budgeted or appropriated. Per the Code of Virginia, sections 15.2-2506 and 58.1-3001 relating to appropriations, all funds should be appropriated prior to any expenditures are made. We recommend that management consult with the applicable code sections and ensure that expenditures from the UDAG, CDBG, Cemetery, and Neighborhood Revitalization Funds are appropriated.

Review of Bank Reconciliations

Historically, bank reconciliations were prepared by the Assistant Finance Director and reviewed by the Finance Director. Last year, the Finance Director left and there was no review of bank reconciliations. During fiscal year 2022, most bank reconciliations appear to have been reviewed by another party; however, the main operating account does not appear to be reviewed. We recommend that management continue to work toward having all bank reconciliations reviewed.

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.

Statements of Economic Interest

During review, we noted that several forms were not filled out in their entirety and one planning commission member's form had several missing schedules. We recommend that steps be taken to ensure that Statements of Economic Interest forms be completed in their entirety and in a timely manner.

Municipal Utility Relief Program - ARPA

During review, we were unable to verify or recalculate the total arrearages reported in the Municipal Utility Relief Program certification. Per inquiry, the County assisted with determining the amounts to report as they were the pass-through entity, but documentation could not be located to verify totals. Going forward, we recommend that the Town maintain a copy of grant awards and any related information that is required to be submitted related to same.

ARPA Reporting

The spreadsheet for ARPA expenditures from July 1, 2021 through March 30, 2022 did not agree to the total included in the annual report due for the same timeframe. Based on inquiry and review, there were a couple of formula errors and changes to the amounts originally reported based on further review by management. Management reached out to Treasury to update the report, but they were told to update in the next annual report. We recommend that these changes be updated in the report and that a review process be implemented to ensure that amounts are accurately reported.

Internal Balances

The CDBG Housing Rehabilitation and Neighborhood Revitalization funds have long-outstanding due to other funds amounts that are creating deficit fund balances within the funds. There are other due to/from balances in funds that we are not able to agree directly, although we can verify that they balance in the aggregate. We recommend that management review all the due to/from balances and determine whether amounts can be substantiated and are expected to be repaid. Balances that are not substantiated or do not have a repayment plan should be zeroed out between funds as they are not considered collectible.

Journal Entry Review and Approval

Currently, there is no approval process for journal entries that are posted to the ledger. We recommend that a process be implemented to ensure that one person prepares entries and another person reviews and approves entries. Documentation to support the journal entry amounts and the review process should be maintained for audit purposes.

Capitalization Thresholds

We recommend that a formal capitalization policy be established to include right-to-use intangible asset thresholds by types of assets to assist in evaluating leased assets for inclusion in the financial statements with the implementation of GASBs No. 87 during the fiscal year. The policy might also consider the allocation of equipment and maintenance/services for copier equipment when same is not specifically stated in the lease agreement to ensure consistency of reporting.