

November 4, 2020

To the Mayor and City Administrator  
City of Ft. Wright, Kentucky  
409 Kyles Lane  
Ft. Wright, Kentucky 41011

In planning and performing our audit of the financial statements of the City of Ft. Wright, Kentucky for the year ended June 30, 2020, we considered internal control 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, as a result of observations made during our audit, we offer the following:

### **Current Year Recommendations**

#### **1) Capital Improvement Fund Separation**

During routine audit procedures, we noted that the City's General Fund and the City's Capital Improvement Fund is in the same Sage "company". The Capital Improvement Fund is budgeted and reported in the financial statements separately from the General Fund. We highly recommend that the City break the Capital Improvement Fund out into an independent Sage "company" (similar to other City minor funds like MRAF, Parks, etc.). This will give the City the ability to report and subsequently track, the activities of the Capital Improvement Fund separately from the General Fund.

#### ***Management Comments:***

#### **2) Fixed Asset Accounting Controls**

The City, along with the City's Consultant Accountant, should consider reworking its fixed asset accounting controls. We realize this is an onerous task, but highly recommend the following steps to move the City forward with this process:

- Consider rewriting the City's Capital Asset Policy to –
  - Include only individual assets greater than \$5,000 in value;
  - Not include purchases of multiple items (turnout gear, radios, etc.) which sum to >\$5,000 but are not >\$5,000 individually;
  - Include street replacement costs, along with engineering costs, delineated by individual street;
  - Do not include road maintenance/repair/mill & pave costs.
- Take an inventory of currently held assets and compare to asset listing.
- Remove assets that cannot be readily identified.
- Capital asset listing should be delineated by individual asset (versus grouped by year or project)
- Input assets in an appropriate fixed asset software to calculate depreciation expense.

This was a comment in 2019 as well.

#### ***Management Comments:***

### 3) Consider Reassigning Account Numbers

During routine audit procedures, we noted that the account number extensions were inconsistent for similar expense items. A typical account number is broken down into three parts as follows:



The first three numbers define the City's Fund (100 for General Fund, etc.), the second three are the City department to which the expense is associated (120 for Administrative, 220 for Fire, etc.) and the final four are the revenue or expense code (i.e. 5323 for Health Insurance). We noted that the expense codes were inconsistent. Health Insurance codes, for example, were 120.5323, 220.5253, 330.5143, and 420.5138. We highly recommend making the expense code the same for each expense type. This change allows the City to produce expense reports easily and quickly by expense type. If management wants to see total Health Insurance expenses, they can run a report that includes only the "5323" accounts.

#### ***Management Comments:***

This letter is solely for the use of the Mayor and the City Administrator of the City of Ft. Wright and should not be used for any other purpose. Thank you for allowing us to be of service to the City of Ft. Wright, Kentucky.

*Van Gorder, Walker & Co., Inc.*

**Van Gorder, Walker & Co., Inc.**  
Erlanger, Kentucky