

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Date: December 12, 2018

Memorandum To: Hampton Roads Regional Jail Authority

From: Robinson, Farmer, Cox Associates

Regarding: Audit for year ended June 30, 2018

In planning and performing our audit of the financial statements of Hampton Roads Regional Jail Authority for the year ended June 30, 2018, we considered the Authority's internal control structure to plan our auditing procedures for the purpose of expressing our opinion 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 12, 2018 on the financial statements of Hampton Roads Regional Jail Authority. 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.

General Ledger and CAFR Preparation

Finding

The Accounting & Budgeting Manager stepped into her role after June 2017 and was responsible for audit and CAFR preparation in fiscal years 2017 and 2018. Although audit adjustments were necessary, she had identified and recorded several accrual entries without audit assistance. In at least one instance, a journal entry was properly prepared to reflect amortization of a bond loss; however, it was not correctly recorded on the general ledger. As she becomes more acclimated with the process and accruals, there should be a reduction in the number of and amount of proposed audit adjustments.

The Finance Division divides responsibilities amongst staff and prepares the annual CAFR. The auditor reviews the CAFR and makes final edits to facilitate a short turnaround time for CAFR finalization and presentation. At the conclusion of the process, the edited files are returned to management to be used the following year. Similar to the prior year, the final FY17 CAFR files were not used for FY18 CAFR preparation. The FY18 draft CAFR required several edits to agree to the previously issued report. In addition, some inconsistencies were noted throughout the CAFR.

Recommendation

We recommend management create a more formal schedule for completion of individual tasks for closing the books at year-end. This should help to ensure financial information is reconciled and adjusted prior to audit fieldwork. Preparation should include reviewing subsidiary schedules and preparing reconciliations to ensure adjustments were properly recorded in the accounting system in their entirety and not posted to the wrong accounts. We also recommend management designate one person to oversee CAFR preparation to eliminate inconsistencies within the document. We also recommend that the Accounting & Budgeting Manager continue to seek training to become more familiar with governmental accounting concepts and CAFR preparation.

Use of Excel Spreadsheets

Finding

Excel spreadsheets are used for various account reconciliations, the capital asset depreciation schedule, trial balance groupings, etc.

Recommendation

Spreadsheets are extremely useful to these processes but care should be taken to include proof totals and other measures to ensure the schedules properly foot, capture all data, and are reliable for use in these circumstances. We recommend that management move toward a fixed asset system for depreciation calculations. Due to the amount of data and manual entries required to compute depreciation and roll-forward year-end balances, additions, and disposals, excel spreadsheets are vulnerable to errors when used in this manner. In addition, logical controls should be built into spreadsheets to protect their integrity (e.g. input fields in different colored font so data is not entered in the wrong cells, locking cells with formulas, proof totals to assist with balancing , etc.)

Bank Reconciliations

Finding

During another transitional period of converting accounting systems, the April, May and June 2018 operating, inmates trust, and employee canteen bank statements were not reconciled until July 2018. The April and May 2018 payroll statements were reconciled in July 2018 while the June 2018 statement was not reconciled at the time of audit fieldwork in August 2018. The March 2018 inmate commissary account was not reconciled until May 2018 and the April, May and June 2018 statements were reconciled in July 2018.

Recommendation

We recommend that all bank accounts continue to be reconciled in their entirety on a monthly basis and reconciling items be researched and corrected in a timely manner. Reconciliation procedures should also be performed on investment accounts. An audit adjustment was made to reclassify account balances between two accounts. Monthly reconciliation procedures should include identifying and recording such activity.