



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: March 2, 2026

Memorandum To: Western Tidewater Regional Jail Authority

From: Robinson, Farmer, Cox Associates

Regarding: Audit for year ended June 30, 2025

In planning and performing our audit of the financial statements of Western Tidewater Regional Jail Authority for the year ended June 30, 2025, 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 March 2, 2026 on the financial statements of the 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 Activity

Management has continued to improve the financial statement preparation process. Most year-end accrual adjustments were identified and recorded by the Finance Director, but not before audit fieldwork commenced. The Authority's financial statements required adjustments by the auditor to ensure compliance with generally accepted accounting principles (GAAP). Accruals such as prepaid expenses, correction of capital assets, a new lease, compensated absences under GASB 101 and OPEB liabilities and related deferred outflows and inflows were adjusted with proposed audit entries. In addition, a reclassification was made to revenues and equity for the Hampton buy-in and revenues and expenses for revenue reimbursement during the year.

Year-end close procedures should be reviewed in order to create a formal schedule of tasks related to the annual close and audit preparation. We recommend that the Finance Director and other finance staff continue to work with the consultant and review and apply the annual adjustments proposed by the auditor in preparing the general ledger for financial statement purposes, prior to audit fieldwork.

Segregation of Duties, Bank Reconciliations and Consultant Oversight of Financial Activity

Due to staff turnover, the Finance Director has performed duties that were previously performed by other staff, resulting in more limited segregation of duties. The performance of more accounting functions by one person provides less oversight and opportunity to identify errors and inconsistencies in the accounting system. Failure to train staff in the appropriate duties creates a risk of misstatements and also concerns related to business continuity if the Finance Director were to leave employment or be out for an extended period due to unforeseen circumstances.

Segregation of Duties, Bank Reconciliations and Consultant Oversight of Financial Activity (Continued)

In recent years, the contracted CPA has been an important component of the Authority's internal control process providing an oversight role for financial activity with a focus on year-end audit preparation. This year, the consultant had limited involvement in audit preparation.

Formal signoffs evidencing review and approval of bank reconciliations have not been made. Instead, informal reviews were performed with inquiries made by the consultant as needed.

Due to the lack of segregation of duties, especially in times of extended medical leave by the Finance Director, we recommend that monthly formal oversight services be provided by the contracted CPA for monthly financial activity to include formal reviews of subsidiary account reconciliations. This will allow for timely feedback and resolution of any issues that arise. In addition, cross-training and formal assignment of duties should be made between finance staff to clearly delineate job responsibilities and accountability for routine and year-end tasks.

Reserve Accounts

A policy establishing an operating reserve equal to 10% of budgeted operating expenses and three months of budgeted inmate medical expenses was adopted in 2018. In fiscal year 2025, the bank accounts designated for holding the reserves had a shortage of the required reserve amount. In fiscal year 2022, the Authority outsourced inmate medical services, which are now part of the inmate medical costs budget category. This change has increased the costs in the category of inmate medical expenses and the required reserve amount.

We recommend that management review the policy for continuing relevance and determine if clarifying language is needed regarding how to compute the required reserve amount. For example, the operating expenditures include the inmate medical expenses. If the intention is to calculate the 10% operating expenditures reserve net of the medical expenses and then do a separate calculation for three months of inmate medical expenses, that should be specified in the policy.

Fringe Benefits

In addition to offering onsite gym equipment for employee use, the Authority pays for a portion of YMCA fees. This benefit is not currently included in employee wages and taxed. According to IRS regulations, the value of an employee's use of an on-premises gym or other athletic facility operated by the employer can be excluded from an employee's wages if substantially all use of the facility during the calendar year is by the employees, their spouses, and their dependent children. The exclusion does not apply to any athletic facility if access to the facility is made available to the general public through the sale of memberships, the rental of the facility, or a similar arrangement. There are similar stipulations for employer-provided vehicles. We recommend that management review IRS guidelines in order to properly report and tax fringe benefits.

Work Release Account Activity

The Work Release QuickBooks account activity for the fiscal year did not agree to related activity in the operating account. The issue was isolated to account activity in January 2025.

We recommend that all financial activity be processed and deposited in a timely manner. Transactions should be processed weekly with a monthly reconciliation to the operating account to identify and correct any errors noted.

Unclaimed Property (Outstanding Checks)

The Unclaimed Property Act requires that checks outstanding for more than one year be reported to the Virginia Department of Treasury as unclaimed property by November 1st, with certain due diligence requirements being followed. The Unclaimed Property report has not been filed on a timely basis. We recommend that all bank accounts be reviewed for items outstanding for more than one year and appropriate action be taken with respect to the Unclaimed Property Act.

Jail Cost Report

The Jail Cost Reports filed for 2022, 2023, and 2024 appeared to include inconsistencies in reporting. Canteen expenditures were not reported in the canteen column; instead, they were reported in the Other Inmate Collections/Work Release expenditures column. There was a difference in canteen expenditures related to account #61201 Contract Services Inmate Telephone credit balance (\$430), which was reported as telephone proceeds expenditures. Going forward, we recommend that the report be reviewed for accuracy and consistency with the ACFR before submission to the Jail Comp Board.