



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: December 10, 2020

Memorandum To: Hampton Roads Regional Jail Authority

From: Robinson, Farmer, Cox Associates

Regarding: Audit for year ended June 30, 2020

In planning and performing our audit of the financial statements of Hampton Roads Regional Jail Authority for the year ended June 30, 2020, 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 10, 2020 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 Finance Division divides responsibilities amongst staff and prepares the annual CAFR. Several audit adjustments, including similar entries made last year, were proposed during the audit. Among those entries were the following: A journal entry was recorded to reflect the year-end balance for accounts payable; however, it was recorded backwards on the general ledger, resulting in a material adjustment proposed by the auditors. The loss on bond refunding requires an amortization entry each year, which was not recorded. OPEB journal entries for certain Group Life Insurance balances were recorded in the VLDP accounts instead. Pension deferred outflows and deferred inflows did not reconcile to the valuation report from VRS. And a duplicate journal entry was recorded for the inmate account activity.

Recommendation

We recommend management create a formal schedule for completion of individual tasks for closing the books at year-end. This should include a list of journal entries to be recorded for specific account balances, which 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 posted to the proper accounts. We also recommend management designate one person to oversee CAFR preparation to eliminate inconsistencies within the document. Additionally, we recommend that the Accounting & Budgeting Manager continue to seek training to become more familiar with governmental accounting concepts and CAFR preparation.

VRS Reconciliations

Finding

Formal reconciliations should be prepared and documented for pension, group life, and VLDP contributions to VRS. For two out of three months tested, there were discrepancies in amounts between myVRS Navigator and the payroll system. Testing revealed one instance of improper deductions from employee's pay resulting in a refund of \$71.89 being due to the employee. VRS was withheld from his paycheck for a month that he did not have VRS coverage.

Recommendation

We recommend that formal reconciliations to myVRS Navigator be prepared monthly. The reconciliations should include all pension and OPEB plans and reconciling items should be resolved prior to confirming VRS contributions. This should help to reduce under-withholdings or excessive amounts being withheld from employees.

Use of Excel Spreadsheets

Finding

Excel spreadsheets are used for various account reconciliations, 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 build logical controls 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.)

Statement of Financial Condition

Finding

Section 30-140 of the Code of Virginia requires a summary statement of financial condition to be published in a newspaper of general circulation in the locality of the entity. This statement should include at a minimum total assets, liabilities, and net position; total revenues, expenses, and other sources or uses; and the change in net position. This advertisement for fiscal year 2019 was made on May 24, 2020 after our preliminary audit fieldwork for fiscal year 2020.

Recommendation

We recommend the Authority advertise the statement of financial condition as required by the Code of Virginia in a timely manner after audit conclusion.