

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

**Date:** October 13, 2017

**Memorandum To:** Hampton Roads Regional Jail Authority

**From:** Robinson, Farmer, Cox Associates

**Regarding:** Audit for year ended June 30, 2017

In planning and performing our audit of the financial statements of Hampton Roads Regional Jail Authority for the year ended June 30, 2017, 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 October 13, 2017 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 preparation for September 2017 fieldwork and October 2017 CAFR preparation. Although some audit adjustments were necessary, she had identified and recorded several accrual entries without audit assistance. As she becomes more acclimated with the process and accruals, we expect a decrease in the number 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. With turnover during and after the fiscal year, the final FY16 CAFR files were not used for FY17 CAFR preparation. The FY17 draft CAFR required several edits to agree to the previously issued report. In addition, several 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 and not posted to the wrong accounts. We also recommend management designate one person to oversee CAFR preparation to eliminate inconsistencies within the document. Due to the significance of financial information contained within the CAFR, in an effort to eliminate errors and omissions, ample time should be provided to allow for a thorough review by management and auditors.

We also recommend that the Accounting & Budgeting Manager seek training to become more familiar with governmental accounting concepts and CAFR preparation. In the coming year, GASB 75 will require implementation for OPEB benefits. This standard is similar to that of GASB 68, which recorded net pension liability, deferred outflows of resources and deferred inflows of resources for pension benefits.

## **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, proof totals should be used in the trial balance file to help identify balancing issues.

## **Bank Reconciliations**

### **Finding**

During another transitional period of turnover in the Finance, the May and June 2017 operating bank statements were not reconciled until August 29, 2017. The June 2017 inmate trust account was not reconciled until August 18, 2017. In addition, the March 2017 reconciliation for the operating account was missing an approval signature.

### **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.

## **VRS Reconciliations**

### **Finding**

We were unable to reconcile VRS for the three months selected for testing. Client prepared reconciliations were provided, but we could not follow the reconciliations in order to determine all reconciling items were properly cleared or explained.

### **Recommendation**

We recommend that VRS reconciliations be better documented to identify variances and their resolution. The reconciliations should agree back to the information reported to VRS and supporting documentation.

## **GASB Implementation**

### **Finding**

In recent years, OPEB actuarial valuations have not been obtained by management in a timely manner. In FY18, the implementation of GASB 75 will require a new actuarial valuation. This valuation and the accounting for OPEB benefits will be much different than existing standards.

### **Recommendation**

We recommend that management contact their actuary in the coming months and coordinate scheduling a valuation in accordance with GASB 75. Due to demand and new valuation techniques, the valuations will likely take time and could affect the timing of CAFR preparation if not obtained in a timely manner.