



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: March 13, 2023

Memorandum To: Hampton Roads Regional Jail Authority

From: Robinson, Farmer, Cox Associates

Regarding: Audit for year ended June 30, 2022

In planning and performing our audit of the financial statements of Hampton Roads Regional Jail Authority for the year ended June 30, 2022, 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 13, 2023, 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 ACFR Preparation

Finding

The Finance Division divides responsibilities amongst staff and prepares the annual ACFR. Several audit adjustments, including similar entries made last year, were proposed during the audit. Among those entries were the following: Pension and OPEB deferred outflows and deferred inflows did not reconcile to the actuarial valuation and other reports from VRS. Some prior year prepaid and accounts payable items were not reversed and added to or removed from current year expense accounts. Equipment that was received after year-end was capitalized and added to the depreciation schedule as a current year addition and CIP additions were not fully adjusted from the expense accounts. The lease calculations were not made as of implementation date or discounted to present value. The ARPA grant from the Comp Board that funded bonuses was not reported as grant revenue.

Recommendation

We recommend management create a formal schedule for completion of individual tasks for closing the books at year-end prior to audit fieldwork. 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 ACFR preparation to eliminate inconsistencies within the document. Additionally, we recommend that the new Accounting & Budgeting Manager seek training to become more familiar with governmental accounting concepts and ACFR preparation.

Gift Cards

Finding

Gift cards were given to the employee of the month and were also provided to various employees as part of the holiday raffle; however, they were not included in income and taxed in accordance with IRS regulations. In addition, there was no supporting documentation accounting for the distribution of gift cards from the holiday raffle. According to IRS guidelines, cash or cash equivalent items provided by the employer are never excludable from income. Gift certificates that are redeemable for general merchandise or have a cash equivalent value are not de minimis benefits and are taxable.

Recommendation

We recommend that gift cards given to employees, for any purpose, be included in taxable income. Also, we recommend that supporting documentation be maintained to support the distribution of gift cards and any other items given to employees. According to inquiries, this has been addressed for fiscal year 2023 as gift cards for service achievements were replaced with checks issued through payroll.

Payroll and VRS Issues

Finding

The following items were noted during VRS testing.

- Of the twenty-seven employees selected for testing, there were two instances of improper deductions from employee's pay (a decrease from seven deviations noted in the prior year testing). The amount withheld in error ranged from \$47.94 too little to \$209.02 too much, for a net total of \$161.08 over-withheld from the two employees.
- The June 2022 contribution was not confirmed by the 10th of the following month; it was confirmed three days late.

Recommendation

We recommend that Human Resources and Finance communicate about pay changes in a timely manner. Also, formal reconciliations for both pension and the OPEB plans to myVRS Navigator should be prepared monthly. Any reconciling items should be resolved prior to confirming VRS contributions and a formal review process should be implemented to ensure the reconciliations are performed and reconciling items properly addressed. Policies should be implemented to ensure that monthly VRS contribution are confirmed by the 10th of the following month in accordance with VRS requirements.

Use of Excel Spreadsheets

Finding

Excel spreadsheets are used for various account reconciliations, trial balance groupings, ACR preparation, etc. Clerical errors were found in several spreadsheets in use.

Recommendation

Spreadsheets are extremely useful for these processes, but the inclusion of proof totals and other measures should be taken 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.).