



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: November 15, 2019

Memorandum To: Hampton Roads Regional Jail Authority

From: Robinson, Farmer, Cox Associates

Regarding: Audit for year ended June 30, 2019

In planning and performing our audit of the financial statements of Hampton Roads Regional Jail Authority for the year ended June 30, 2019, 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 November 15, 2019 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. Certain revenues and expenses that occurred after June 30th were recorded against cash instead of being reflected as accounts receivable and accounts payable at year-end. A journal entry was posted to reflect the year-end balance for compensated absences; however, it was recorded backwards on the general ledger.

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.

Gift Cards

Finding

Gift cards are given to the employee of the month; however, they are not included in income and taxed in accordance with IRS regulations. 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.

VRS OPEB Reconciliations

Finding

Pension contributions reported in VNav are reconciled to the payroll system on a monthly basis. However, there is no formal reconciliation documented for the OPEB plans (GLI and VLDP).

Recommendation

We recommend the monthly VNav reconciliations be modified to include formal reconciliations of GLI and VLDP contributions as calculated by the payroll system to contributions as calculated by VNav.

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.)