

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Date: November 1, 2018

Memorandum To: Western Tidewater Regional Jail Authority

From: Robinson, Farmer, Cox Associates

Regarding: Audit for year ended June 30, 2018

In planning and performing our audit of the financial statements of Western Tidewater Regional Jail Authority for the year ended June 30, 2018, 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 1, 2018 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.

Bank Reconciliations

Due to the unexpected turnover and staff shortage in finance, bank reconciliations were not completed in a timely manner the latter part of the year. Several errors were made in the general ledger accounting system (prior to and after the turnover), which created reconciliation issues. In addition, credit card payments for work release fees are deposited into the operating account and transferred to the work release account. Instead of recording amounts due to the operating fund, these items were treated as outstanding deposits on the bank reconciliation.

The June 2018 reconciled bank balances did not agree to the general ledger cash balances. Payments for June services recorded in July 2018 were posted to the cash account instead of being recorded as liabilities. Posting dates should be reviewed when entering checks to ensure cash transactions are recorded in the proper accounting period. The general ledger cash balances should only reflect deposits made to the bank and checks written on or before the last day of the month.

General Ledger Activity

The Authority's financial statements required material adjustments by the auditor to ensure such statements complied with Generally Accepted Accounting Principles (GAAP). Material audit adjustments were proposed to several accounts including cash, receivables, pension and OPEB liabilities and related deferred outflows and inflows, unearned revenue, debt, revenue and expenditure accounts.

General Ledger Activity: (Continued)

There are various interfund transactions that occur on a routine basis. At year-end, funds were due to the operating account from various other accounts. Interfund balances should be reflected as such and not recorded as revenues and expenses. Transfers to the canteen account from the operating account recorded as miscellaneous expenses should have been recorded as receivables from the canteen account. This helps to ensure the funds are reimbursed and operating activity is not skewed by advances made to other accounts or timing delays for reimbursement of certain transactions (postage, etc.).

Year-end preparation should include a review of interfund balances, reconciliations of accounts receivable and accounts payable aging reports, bank reconciliations, etc. to the general ledger. We recommend that the Fiscal Officer review the audit adjustments made and incorporate the adjustments during the year-end close process and prior to audit fieldwork going forward.

Internal Controls - Formal Reviewer Signoffs

Although reviews are taking place, the review step is not being formally documented. We recommend the person reviewing bank reconciliations, payroll registers, etc. provide a formal signature or initials documenting their review. The signoff should include the date of review.

Internal Controls - Signature Stamp

A signature stamp has historically been used to sign checks. The stamp was locked in the Director's desk drawer until staff turnover in February 2018, when it was moved to the Fiscal Officer's drawer. Since the Fiscal Officer has the ability to process checks, we recommend that custody of the stamp reside with someone independent of this process, such as the Executive Assistant.

VRS Testing

Census testing related to the Virginia Retirement System is required by the Auditor of Public Accounts. Our census testing revealed the following:

- Two employees were given a salary increase on 3/31/18, but it was not entered into VNav. In July 2018, another raise was given to each of these employees and that salary was updated with no retroactive adjustment for the March 2018 raise.
- An employee with a start date of 4/4/18 did not have the correct deduction taken until July 2018. However, the employer paid the employee portion of the deduction on their behalf.

We recommend that staff perform reconciliation procedures related to VNav reporting and take the necessary steps to remedy errors between the system and the payroll system.