



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: March 20, 2024

Memorandum To: Hampton Roads Regional Jail Authority

From: Robinson, Farmer, Cox Associates

Regarding: Audit for year ended June 30, 2023

In planning and performing our audit of the financial statements of Hampton Roads Regional Jail Authority for the year ended June 30, 2023, 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 20, 2024, 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. Investments accounts and debt balances were not adjusted to reflect current year principal reductions and amortization of premiums and losses. Equipment additions were not reconciled to the depreciation schedule or properly adjusted from the expense accounts. Lease and SBITA calculations required adjustments to account for present value and the accrued leave calculation used PY numbers in the calculation. In addition, the GL reports provided for audit were not in balance due to the exclusion of inactive accounts that had activity during fiscal year 2023.

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 and obtain training to become more familiar with governmental accounting concepts and ACFR preparation.

Payroll and VRS Issues

Finding

The 941 for the quarter ended March 2023 included an error in taxable wages. For the first payroll in January 2023, the new tax tables were set up incorrectly causing federal income tax to be overcharged to employees, some by hundreds of dollars. Due to the hardship it caused some employees, management decided to refund employees the difference based on the correct tax table. The difference was calculated manually and for those that it caused an overpayment they received a deduction refund. The overpayment of federal income tax was processed on a miscellaneous payroll run. However, the system caused the 941 report to deduct the federal income tax gross for that pay period from the total taxable wages for the quarter. A reconciliation was not performed to ensure the quarterly report was properly adjusted to reflect the correct amounts. The 941 for the quarter ended December 2022 also included an error. The FICA was calculated improperly and the Medicare line on 941 included an error.

The following items were noted during VRS testing.

- Of the twenty-six employees selected for testing, there were three instances of improper deductions from employee's pay. The amount withheld in error ranged from \$12.10 too little to \$87.50 too much, for a net total of \$91.51 over-withheld from the three employees.
- The July 2022 payment was not immediately scheduled after confirmation; it was scheduled 8 days later. In addition, the September 2022 contribution was not confirmed by the 10th of the following month; it was confirmed nine days late. Inquiries revealed that these issues were related to VNAV system issues and contact was made with the VRS call center and IT department for resolution.
- For the contribution months of July 2022, September 2022, and January 2023, there was a failure to capture all changes occurring during the month on the monthly snapshot prior to confirming contributions. Over the three months selected for testing, 6 employees had salary increases that were reported to VRS 1 to 3 months late. Additionally, reconciliations for all three of the months selected for testing contained discrepancies between VNAV and the payroll system. Monthly reconciliations are prepared; however, there is no documentation of issues being resolved.

Recommendation

We recommend that Human Resources and Finance communicate about pay changes in a timely manner. Also, formal reconciliations on 941s and 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.).