



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: November 4, 2021

Memorandum To: Western Tidewater Regional Jail Authority

From: Robinson, Farmer, Cox Associates

Regarding: Audit for year ended June 30, 2021

In planning and performing our audit of the financial statements of Western Tidewater Regional Jail Authority for the year ended June 30, 2021, 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 4, 2021 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.

General Ledger Activity

Management has improved the financial statement preparation process from prior years. Several year-end accrual adjustments were identified and recorded by the Fiscal Officer and the consultant. However, the Authority's financial statements required adjustments by the auditor to ensure compliance with Generally Accepted Accounting Principles (GAAP). Accruals such as capital assets, accumulated depreciation, accounts payable, compensated absences, and OPEB liabilities and related deferred outflows and inflows were adjusted with proposed audit entries, although the adjustments were not as extensive as in the prior audit.

We recommend that the Fiscal Officer review the methodology in preparing certain financial statement schedules, such as accrued leave, to ensure they are consistent and complete each year. For example, the accrued leave schedule presented for audit included the wrong hourly rate (inconsistent with the prior year), included approximately 18 employees that were terminated between June 9, 2021 and June 30, 2021, and calculated a liability of 100% of the sick leave balance instead of the policy limit of 25%. The annual adjustments proposed by the auditor should be reviewed and applied by management in preparing the general ledger for financial statement purposes.

Bank Reconciliations and Consultant Oversight

In December 2019, the former CPA consultant retired and a new consultant was assigned. The consultant is an important component of the Authority's internal control process providing an oversight role for financial activity. For the first six months of fiscal year 2020, bank reconciliations were reviewed and returned timely; however, the last six months of fiscal year 2020 and into fiscal year 2021, reconciliations were not reviewed by the consultant in a timely manner. In addition, formal signoffs were not made on bank reconciliations evidencing review and approval. Instead, informal reviews were done with inquiries made by the consultant as needed. We recommend the consultant provide formal oversight services monthly. This will allow for timely feedback and resolution of any issues that arise.

Capital Assets and Depreciation

The depreciation schedule required a few adjustments to add items meeting the capitalization threshold that were not capitalized and to remove items that were not in service at year-end. Additionally, the depreciation schedule included prior year purchases with multiple items exceeding the \$5,000 threshold grouped together and entered as one item. For example, three contraband detectors, placed in different areas of the facility, were purchased and paid with one check. In order to properly account for the assets and future disposals or replacements, they should be separately identified in the depreciation system.

We recommend that the Fiscal Officer enter asset activity each month and enter assets individually instead of grouping them with similar assets. Depreciation should begin when the assets are placed in service. During year-end closing, the depreciation schedule should be reconciled to the general ledger to ensure all activity is properly accounted for on both the general ledger and in the fixed asset system.

Late Payment of Payroll Related Liabilities

Metlife invoices are not consistently paid by their due date. The invoice for June 2021 with a due date of July 1st was paid on July 17th. We recommend that Human Resources communicate and provide payroll related items to the Fiscal Officer in a timely manner for processing and payment.

Petty Cash

The petty cash count reflected a difference of \$10 from the established balance. In addition to the petty cash account, there is also a candy fund, which is occasionally used for change when inmates pay for certain fees with cash. The petty cash account is sometimes used to break large bills in the candy fund. Upon discovery of the difference, \$10 was moved from the candy fund to the petty cash. Both funds are maintained in the Office Manager's drawer. We recommend that the petty cash account be maintained separately from the candy fund and reconciled on a routine basis. The petty cash account had not been reconciled from January 15, 2021 to August 25, 2021.

QuickBooks

Activity for the Work Release program is maintained in QuickBooks. One check written during the year selected for testing was listed under the wrong check number in the program. The program in use has not been updated since 2013 and does not always properly recognize transactions processed by the individual users between uses. We recommend that the program be upgraded to a more current version for better functionality.

Unclaimed Property

The Virginia Unclaimed Property Act requires that checks outstanding in excess of one year be remitted to the Virginia Treasury as unclaimed property by November 1st of each year. Management has not submitted an unclaimed property report in the past two years. We recommend that staff responsible for preparing or reviewing bank reconciliations periodically review the status of outstanding checks for all accounts and verify the Authority is in compliance with requirements of the Unclaimed Property Act. For checks outstanding longer than one year, due diligence must be performed related to contacting payees, and where applicable, funds should be remitted to the State in accordance with the Unclaimed Property Act.

Virginia Retirement System (VRS) deductions

VRS stipulates that reconciling items be cleared prior to confirmations. Of the employees selected for testing, four employees overpaid their contributions for the period tested in amounts ranging from \$1.72 to \$17.63 (collectively \$26.93). This was generally caused by mid-month pay changes. Although these instances were detected during the monthly reconciliation process, refunds or credits were not issued to the employees. In other instances, there were under withholdings that were absorbed by the Jail. We recommend that Human Resources resolve reconciling items prior to confirming VRS contributions and reimburse employees for improper deductions.