

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Date: November 29, 2018

Memorandum To: Piedmont 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 Piedmont 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 29, 2018 on the financial statements of Piedmont 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.

Financial Disclosure Statements or Statements of Economic Interest

The Jail transitioned to an Authority near the end of fiscal year 2017 but all members did not file financial disclosure statements or statements of economic interest as required. Many board members filed the required form with their jurisdiction and forwarded a copy for audit review but there are two members that do not serve as board members of a local government. The Code of Virginia §2.2-3115(A) and (B) specifies that Members of the governing body of any authority established in a county or city with the power to issue bonds or expend funds in excess of \$10,000 in any fiscal year must annually file a *Financial Disclosure Statement ("short form")*, unless required by their local governing body to file a Statement or Economic Interests ("long form"). We recommend that the clerk of the board review these requirements and ensure the forms are filed in accordance with State law. In addition, we recommend that a copy be retained on file for audit in order for us to perform review procedures as required by the *Auditor of Public Accounts Specifications for Audits of Authorities, Boards, and Commissions*.

Construction and Debt Activity

A separate QuickBooks company was created to account for the construction project. However, the issuance of debt was not recorded on the general ledger. The related SNAP accounts were not reflected in either set of QuickBooks or formally reconciled on the general ledger. We recommend that management ensure all cash and investment accounts are recorded on the general ledger as well as any debt activity that occurs during the year. During fieldwork, audit adjustments to record the issuance of debt and SNAP account balances as of year-end were provided to management. In addition, monthly reconciliation procedures were discussed and implemented by the Office Manager, as evidenced by the July and August 2018 statements being recorded and reconciled during our fieldwork.

Capital Assets and Inventory of Equipment

Management maintains an excel spreadsheet of inventory for vehicles and equipment in the facility. However, the inventory listing does not include detailed information. For instance, there is a food service inventory spreadsheet containing items such as warmers, a freezer, a warmer, oven, etc. The spreadsheet includes columns for description, sticker number, serial number, location of item, date in service, date out of service, and disposition (if removed). However, the only columns containing information are the description and sticker number. Dates of acquisition, disposal, etc. are not consistently included.

This spreadsheet should be completed in its entirety to track the location and condition of equipment. It should also be compared to the capital asset depreciation schedule used for the financial statements to ensure completeness of both lists. The capital asset depreciation schedule as presented for audit required adjustments by the auditors to reflect additions and disposals made during the year.

An annual review should be done between the inventory and capital asset listing to ensure the capital asset listing is properly updated prior to the audit. This annual review should include an evaluation of the insurance listing and a review of all construction activity. We recommend management explore using a fixed asset accounting system to track and record depreciation. The current excel spreadsheet maintained requires a great deal of manual entry and a formal system would likely be more user friendly for staff.

QuickBooks Activity

The operating account receives funds from the commissary and inmate accounts throughout the year. The commissary account also receives funds from the inmate account throughout the year. Due to the amount of activity between accounts, we recommend all activity be recorded through the Accounts Receivable and Accounts Payable modules to properly capture accruals and ensure all payments are received in each account. For example, medical co-payments for a couple of months were not paid from the inmate account to the operating account during fiscal year 2015. Several receivables and payables were recorded via audit adjustments again in fiscal years 2017 and 2018. Entering bills and invoices will help to identify fiscal year obligations that are due from one account to another and provide greater assurance that all activity related to the fiscal year is reflected in the accounting system. In addition, receivable and payable aging reports should be periodically reviewed to ensure the lists are current and items have been properly credited to outstanding bills and invoices.

Commissary and Inmate Accounts

Management and staff discovered a shortage of cash in the inmate account during the year. Upon request by management, we reviewed the activity and discovered that a change in the inmate accounting system and procedures to reimburse phone commissions caused a cash shortage in the inmate account and cash overage in the commissary account. Management has contacted the vendor and is working with them to create another company in the Keefe system, which will allow for a new start and bank reconciliations within the system. This will eliminate unnecessary, duplicate work created by adding each transaction to QuickBooks. The vendor will also provide training to help staff better understand the system and its capabilities. We recommend that inmate balances be balanced to the cash account on a monthly basis to ensure all funds are properly accounted for.

Line of Duty Act (LODA)

Four employees on the LODA roster had incorrect birthdates. Therefore, we expanded our testing to compare all birthdates submitted on the LODA roster to the birthdates as reported in VNav. Management corrected three of the four errors in the 2018 roster submission (prior to FY18 audit fieldwork). We recommend information be reviewed for clerical errors prior to submission.