



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: January 28, 2025

Memorandum To: Western Tidewater Regional Jail Authority

From: Robinson, Farmer, Cox Associates

Regarding: Audit for year ended June 30, 2024

In planning and performing our audit of the financial statements of Western Tidewater Regional Jail Authority for the year ended June 30, 2024, 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 January 28, 2025 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 continued to improve the financial statement preparation process. Most year-end accrual adjustments were identified and recorded by the Finance Director, but not before audit fieldwork commenced. The Authority's financial statements required adjustments by the auditor to ensure compliance with generally accepted accounting principles (GAAP). Accruals such as prepaid expenses, correction of capital assets, lease receivables, and OPEB liabilities and related deferred outflows and inflows were adjusted with proposed audit entries. In addition, a reclassification was made to revenues and expenses for revenue reimbursement during the year.

Year-end close procedures should be reviewed in order to create a formal schedule of tasks related to the annual close and audit preparation. We recommend that the Finance Director and other new finance staff continue to work with the consultant and review and apply the annual adjustments proposed by the auditor in preparing the general ledger for financial statement purposes, prior to audit fieldwork.

Segregation of Duties, Bank Reconciliations and Consultant Oversight of Financial Activity

Due to staff turnover, the Finance Director has performed duties that were previously performed by other staff, resulting in more limited segregation of duties. The performance of more accounting functions by one person provides less oversight and opportunity to identify errors and inconsistencies in the accounting system. Failure to train staff in the appropriate duties creates a risk of misstatements and also concerns related to business continuity if the Finance Director were to leave employment or be out for an extended period due to unforeseen circumstances.

In fiscal year 2022, there was a transition to a newly contracted consultant (CPA) paired with the Fiscal Officer being out on medical leave during early fiscal year 2023 and again in fiscal year 2024. In recent years, the contracted CPA has been an important component of the Authority's internal control process providing an oversight role for financial activity with a focus on year-end audit preparation. This year, the consultant had limited involvement in audit preparation.

Segregation of Duties, Bank Reconciliations and Consultant Oversight of Financial Activity: (Continued)

Formal signoffs evidencing review and approval of bank reconciliations have not been made. Instead, informal reviews were performed with inquiries made by the consultant as needed. The newly established investment account had not been reconciled to the general ledger as of October 2024 and the balance was not properly reflected on the general ledger.

Due to the lack of segregation of duties, especially in times of extended medical leave by the Finance Director, we recommend that monthly formal oversight services be provided by the contracted CPA for monthly financial activity to include formal reviews of subsidiary account reconciliations. This will allow for timely feedback and resolution of any issues that arise. In addition, cross-training and formal assignment of duties should be made between finance staff to clearly delineate job responsibilities and accountability for routine and year-end tasks.

Fringe Benefits

In addition to offering onsite gym equipment for employee use, the Authority pays for a portion of YMCA fees. This benefit is not currently included in employee wages and taxed. According to IRS regulations, the value of an employee's use of an on-premises gym or other athletic facility operated by the employer can be excluded from an employee's wages if substantially all use of the facility during the calendar year is by the employees, their spouses, and their dependent children. The exclusion does not apply to any athletic facility if access to the facility is made available to the general public through the sale of memberships, the rental of the facility, or a similar arrangement. There are similar stipulations for employer-provided vehicles. We recommend that management review IRS guidelines in order to properly report and tax fringe benefits.

Work Release Account Activity and Staff Training

Due to turnover in accounting staff in fiscal years 2023 and 2024, new staff has not been trained to perform various functions. This has impacted internal controls and resulted in work release activity not being processed in a timely manner during the year. Prior to staff turnover, the transactions were processed weekly but fell behind by the end of the year and were processed on a monthly or longer basis. Activity has been backdated when recorded in the system. For example, the June 2023 bank reconciliation showed outstanding deposits in transit totaling \$4,282.94. However, only one deposit in the amount of \$145 cleared in July 2023. The remaining two deposits did not clear the bank until August 29, 2023. Also, the bank reconciliation prepared on 8/21/23 did not include a check written to the operating account that was dated 6/23/23 in the system.

We recommend that all financial activity be processed and deposited in a timely manner. To assist with this, consider engaging the consultant to review internal control procedures in place as well as accounting staff duties in order to provide recommendations to strengthen internal controls, such as cross-training, re-allocating duties, and creating formal schedules for routine reconciliation and financial duties.

Unclaimed Property (Outstanding Checks)

The Unclaimed Property Act requires that checks outstanding for more than one year be reported to the Virginia Department of Treasury as unclaimed property by November 1st, with certain due diligence requirements being followed. The Unclaimed Property report has not been filed on a timely basis. We recommend that all bank accounts be reviewed for items outstanding for more than one year and appropriate action be taken with respect to the Unclaimed Property Act.

SPDA Verification

According to newly amended SPDA regulations, SPDA bank balances must be verified each quarter beginning in December 2023. Bank balances for the three quarters between December 2023 and June 2024 were not verified by staff during the verification window. We recommend that a procedure be implemented to verify balances as required each quarter.

Jail Cost Report

The Jail Cost Reports filed for 2022 and 2023 appeared to include inconsistencies in reporting. Canteen expenditures were not reported in the canteen column; instead, they were reported in the Other Inmate Collections/Work Release expenditures column. There was a difference in canteen expenditures related to account #61201 Contract Services Inmate Telephone credit balance (\$831.78), which was reported as telephone proceeds expenditures. Going forward, we recommend that the report be reviewed for accuracy and consistency with the ACFR before submission to the Jail Comp Board.

Approval of Invoice

One payment selected for testing was missing a purchase order or formal approval. This payment was for a drone deposit, which was recorded as an expenditure and reclassified as a prepaid expense with an audit entry since the drone had not been received as of the fieldwork date. We recommend that all expenditures follow the purchasing policy including documented approval, etc.

VRS Reporting

Two out of twenty-six employees selected for VRS testing had improper deductions from their pay. We recommend that reconciliation procedures include research and resolution of any discrepancies in a timely manner.