

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

**Date:** October 12, 2017

**Memorandum To:** Central Shenandoah Criminal Justice Training Academy

**From:** Robinson, Farmer, Cox Associates

**Regarding:** Audit for year ended June 30, 2017

In planning and performing our audit of the financial statements of Central Shenandoah Criminal Justice Training Academy for the year ended June 30, 2017, we considered the Academy'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 October 12, 2017 on the financial statements of Central Shenandoah Criminal Justice Training Academy. 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.

## Recording of Accruals and Audit Preparation (Repeat Comment)

### Finding

Several accrual journal entries were made during audit fieldwork based on schedules provided by the consultant. However, these schedules did not include capital asset activity and related depreciation expense. The depreciation schedule is maintained by the consultant but was incomplete when presented for audit.

### Recommendation

We recommend that accrual activity be recorded prior to audit fieldwork to limit the auditor's involvement in recording adjusting journal entries and making significant adjustments to the general ledger, which could present a material weakness in internal controls. The audit preparation process should include a review of general ledger activity and discussion with management to identify capital asset additions and disposals. A process should be implemented by the bookkeeper or management where capital items are identified and provided to the consultant throughout the year. All related activity should be reflected on the depreciation schedule and general ledger presented for audit.

## **QuickBooks Details (Repeat Comment)**

### **Finding**

When recording accruals, journal entries made to the accounts receivable and accounts payable accounts have not been linked to a customer or vendor. Instead, CSCJTA has been used as a customer or vendor to record journal entries. For example, the AP aging report at June 30, 2017 shows a negative balance of \$468.99 due to CSCJTA and \$3,127.24 due to Vision Technology Group LLC. These items are offset with a liability in the name of a former employee. The AR aging report shows the following customers: AUDIT -\$765,490, Business -\$51,145, and CSCJTA2 -\$136,612.53. Accounts receivable and accounts payable aging reports generated should reflect actual customers and vendors and the related outstanding balances.

### **Recommendation**

We recommend that the bookkeeper review the details of aging reports in an effort to clear old items thereby reflecting only current items. Going forward, specific customers or vendors should be linked to journal entries when recording accruals. CSCJTA should not be input as a customer or vendor.

## **Payment of Invoices and Billing**

### **Finding**

A couple of expenses were paid twice during the year (once via credit card and once with a check). In addition, a couple of duplicate invoices were sent out to customers.

### **Recommendation**

We recommend that all payments be supported by an original invoice and an internal control mechanism be implemented to avoid duplicate payments. All invoices should be filed timely to ensure vendor files are complete. Account activity should periodically be reviewed to ensure duplicate payments have not been made and duplicate invoices have not been distributed.

## **Recording of Payroll Transactions**

### **Finding**

ACH payroll transactions are recorded under the vendor name Business Financials. This will allow more transparency and an audit trail of payments made for different aspects of payroll.

### **Recommendation**

We recommend the actual payee of payroll transactions be recorded, instead of the payroll services provider's name. For instance, payments to VRS and ICMA should be coded as such and recorded in separate general ledger accounts. This will be relevant when GASB 68 is implemented, in fiscal year 2018 or 2019.

## **GASB Pronouncements**

### **Finding**

The Academy will be required to record its net pension asset or liability, deferred outflows of resources, and deferred inflows of resources when GASB 68 is implemented. This information will be reported in an actuarial valuation sent from VRS. The VRS website includes financial reporting guidance for employers.

### **Recommendation**

We recommend management and the consultant used for financial statement preparation become familiar with these governmental standards in order to prepare the necessary adjustments.