



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: September 17, 2020

Memorandum To: Central Shenandoah Criminal Justice Training Academy

From: Robinson, Farmer, Cox Associates

Regarding: Audit for year ended June 30, 2020

In planning and performing our audit of the financial statements of Central Shenandoah Criminal Justice Training Academy for the year ended June 30, 2020, 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 September 17, 2020 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, including those reflecting principal payments on debt and related interest accruals, corrections to accrued leave balances. In addition, cash balances were adjusted to remove payroll accruals recorded after year-end that adjusted cash instead of liabilities.

Recommendation

We recommend that the consultant assist with recording accrual activity prior to audit fieldwork, reviewing adjustments made during the prior audit. Ending asset and liability balances should be reviewed against prior year balances to identify adjustments that may be necessary and to determine if year-end balances are reasonable. This will limit the auditor's involvement in recording adjusting journal entries and making significant adjustments to the general ledger, which presents 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. The capital asset threshold of \$1,000 should be used when determining items to be capitalized. A process should be implemented by the bookkeeper or management where capital items are identified and provided to the consultant throughout the year. Also, sales, insurance recoveries, and trade-ins should also be communicated with related disposals recorded. All related activity should be reflected on the depreciation schedule and general ledger presented for audit.

Taxable Fringe Benefits

Finding

The Academy offers a clothing allowance to employees but has not taxed these benefits. According to the IRS Fringe Benefit Guide for Public Employers, the value of work clothing provided by the employer is not taxable to the employee if:

- The employee must wear the clothing as a condition of employment; and
- The clothes are not suitable for everyday wear.

It is not enough that the employee wear distinctive clothing; the employer must specifically require the clothing as a working condition. Nor is the test met because the employee does not, in fact, wear the work clothes away from work. The clothing must not be suitable for taking the place of regular clothing. However, a detective's suit jacket and related clothing, since they are suitable for everyday wear, do not qualify as a uniform and are taxable to the employee.

If clothing provided does not qualify as a deductible expense (i.e. as a uniform), then the clothing, or reimbursement for the clothing, must be treated as a taxable fringe benefit and is subject to income, social security and Medicare taxes.

Recommendation

We recommend the Academy begin taxing the clothing allowance in accordance with IRS guidelines.

Recording of Journal Entries

Finding

Journal entries are not recorded with unique reference numbers throughout the year. For example, the transaction listing for the fiscal year showed numerous adjustments recorded with a reference of JE01. These entries were entered on multiple dates - 8/31/19, 9/4/19, 11/30/19, 1/31/20, 2/29/20, 4/30/20, 5/31/20, and 6/30/20.

Recommendation

We recommend the consultant assign unique JE numbers to adjustments posted throughout the fiscal year instead of restarting at 01 each month. This provides a better audit trail to determine how many journal entries are recorded and to differentiate them from each other.

Contingencies Account

Finding

Various activity was recorded in the contingencies account this year. Those items included expenses for training, memberships, purchases of supplies, payroll accruals, etc. In addition, grant reimbursements from DCJS grants totaling \$22,164.08 were recorded in this expense account.

Recommendation

We recommend that management avoid using the contingencies account, especially for routine purchases. Additionally, deposits should not be recorded in expense accounts except for refunds received for vendor overpayments or items returned in the same fiscal year.

Duplicate Payment

Finding

In our search for unrecorded liabilities, we found that an invoice from SingleHop, LLC was paid twice. The first payment was made on 7/9/20 and the second payment was made on 7/15/20. The invoice was for 7/1 – 8/1 and included the same invoice number and amount with different confirmation numbers listed in bill.com.

Recommendation

We recommend management and the consultant implement a system to document invoices paid to avoid duplicate payments of the same invoice. Since this transaction is recorded in fiscal year 2021, we recommend the transaction be researched and corrected, as appropriate.

Procurement

Finding

The purchasing policy requires bids in writing from at least 3 sources for purchases estimated to exceed \$6,000 but not more than \$30,000. Three purchases from CTi of Staunton, EN Range, Inc., and Vision Technology Group exceeded the \$6,000 threshold but were made without acquiring bids.

Recommendation

We recommend management obtain bids on purchases exceeding the procurement thresholds in accordance with the purchasing policy. When bids are not obtained (emergency purchases, sole source, etc.), the reason should be documented on the Expenditure Report attached to the invoices.

Foundation General Ledger

Finding

According to the Foundation's By-Laws, the fiscal year is July 1st through June 30th. This is consistent with the 990s filed with the IRS. However, the general ledger is being maintained on a calendar year.

Recommendation

We recommend the consultant begin maintaining the general ledger on a June 30th fiscal year in accordance with the Foundation's By-Laws and reporting to the IRS.