



## Chesterfield County, Virginia Internal Audit

10021 Iron Bridge Road – P.O. Box 40 – Chesterfield, VA 23832  
Phone: (804) 748-1240 – Fax: (804) 768-9346 – Internet: chesterfield.gov

**GREGORY L. AKERS, CPA**  
Director

**DATE:** August 4, 2017

**TO:** Audit and Finance Committee

Joseph P. Casey, PhD.  
County Administrator

Dr. James Lane  
CCPS Superintendent

**FROM:** Greg L. Akers  
Director

**SUBJECT:** Fraud, Waste, and Abuse Hotline Program Fiscal Year 2017 Report

We are providing the annual report for the operation of the Fraud, Waste, and Abuse Hotline program. The Office of Internal Audit serves County and School Board management by performing financial and performance audits, as well as special projects which include investigations of suspected misconduct and other projects as requested by management. The County's Hotline program is operated pursuant to the *Code of Virginia* § 15.2-2511.2 and provides a means for employees and citizens to confidentially report any activity or conduct where fraud, waste, or abuse are suspected. Chesterfield County Administrative Policy and Procedure 8-2 establishes the "tone at the top" of ethical expectations for all employees. The policy defines what constitutes fraud, with procedures employees must follow when fraud is suspected. Chesterfield County Personnel Policies (section 1-4) establish a code of ethics, further defining expectations for employee honesty and behavior. The combination of these elements provides a climate to help deter fraud and other unethical practices.

There are a variety of methods to report allegations to the Hotline program:

- Hotline 804-318-8000
- In person, and by call or mail to our office
- By fax 804-768-9346
- On-line:
  - Web – <http://www.chesterfield.gov/reportfraud/>
  - County Intranet

Allegations are evaluated to determine if conditions warrant:

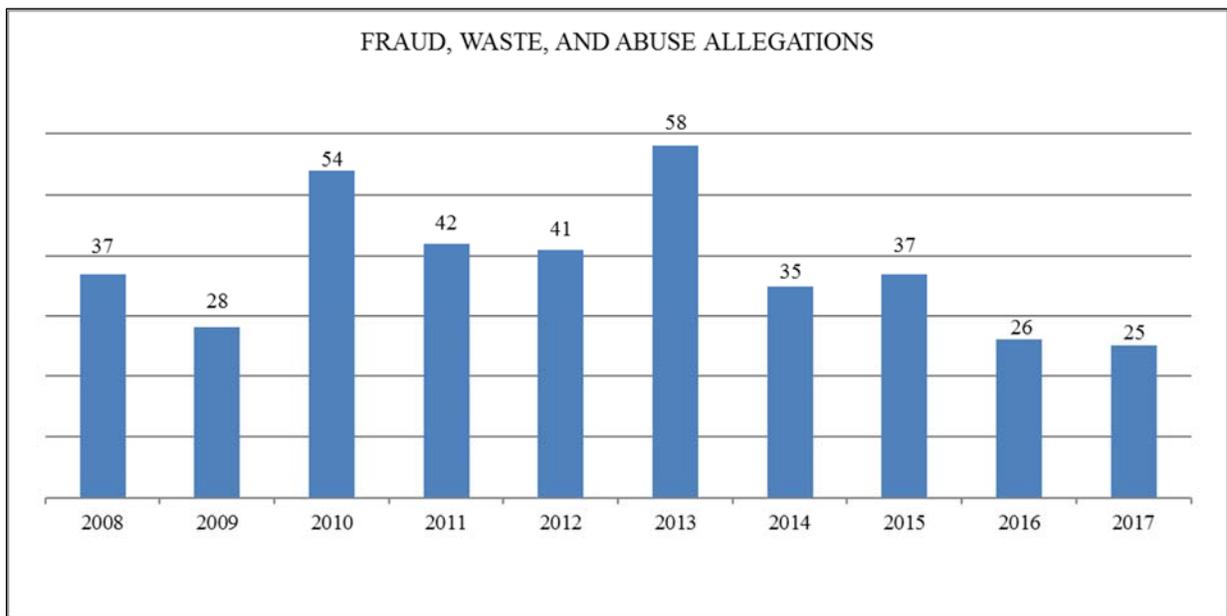
- A special project investigation by Internal Audit,
- Referral or consultation of matter with the related County or School department,
- Referral to another entity or jurisdiction (i.e. items not involving Chesterfield County or Schools personnel, resources, or operations), or
- Insufficient information to initiate an action, or no action required.

We appreciate the assistance and cooperation from County and School departments during our evaluation of allegations.

The investigation results are provided to department management and, when applicable, to HR for determining employee disciplinary action. In many cases, process improvements are recommended to improve internal controls. This report summarizes activities from July 1, 2016 to June 30, 2017 for allegations that came to our attention through the Hotline.

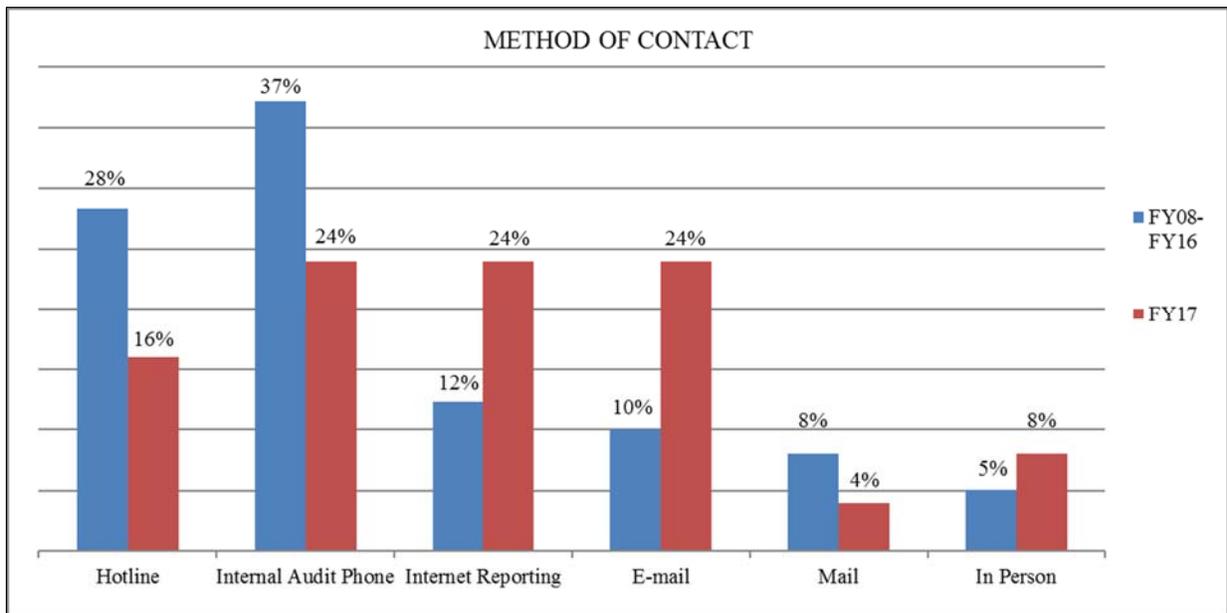
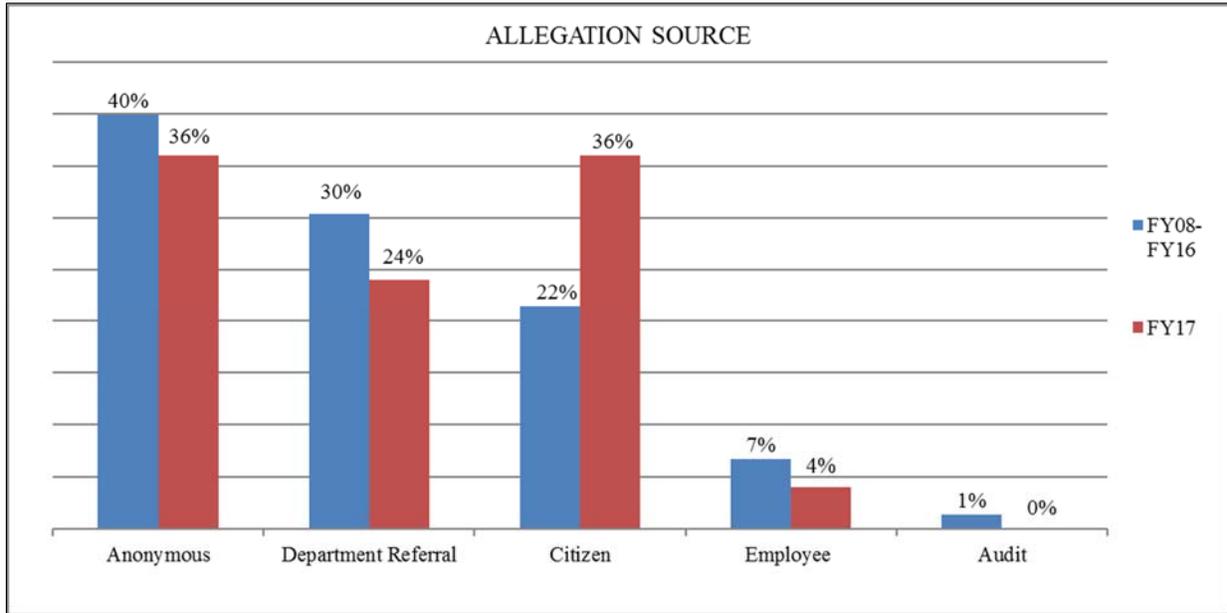
### **NUMBER OF ALLEGATIONS RECEIVED**

Internal Audit formalized the Hotline program in Fiscal Year 2007 to more thoroughly capture statistics regarding each allegation. Internal Audit received 25 allegations of fraud, waste, and abuse in Fiscal Year 2017. Allegation volume is illustrated by fiscal year below for the past 10 years.



**ALLEGATION SOURCE AND METHOD**

Fiscal Year 2017 allegation sources and methods of contact are compared to the average for the previous nine years. Anonymous contacts include both citizens and employees that choose not to leave their information when making a submission. In all other instances, the source is known, including department referrals from County and School management. The audit category includes items discovered during a regularly scheduled audit.

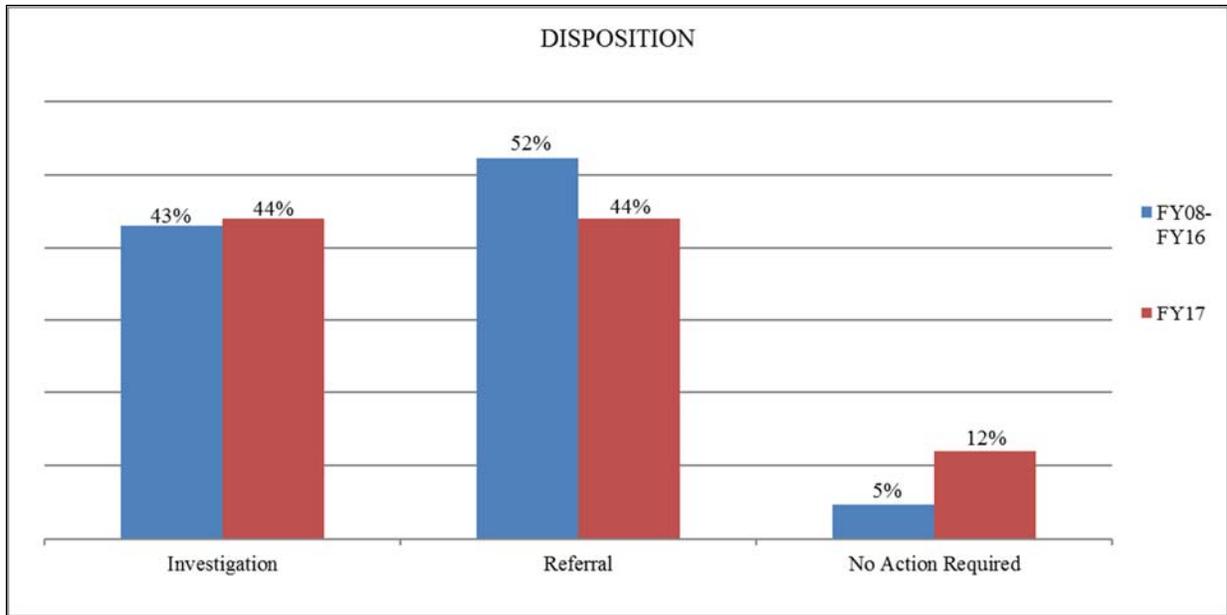


## **DISPOSITION OF ALLEGATIONS**

In all 25 cases, allegations were evaluated by Internal Audit and resulted in:

- 11 Investigations
- 11 Referrals (to the appropriate County, School, or external department)
- 3 No action required (not enough information for investigation or referral)

Common allegations concerned potential welfare fraud, employee time abuse, and theft. Welfare fraud allegations are referred to the Social Services Fraud Unit.



## **INVESTIGATIONS SUMMARY**

There were 12 total investigations during Fiscal Year 2017, including one initiated in a prior fiscal year:

- 3 Substantiated the allegations
- 8 Allegations were not substantiated
- 1 In process at fiscal year-end.

Where investigations resulted in a formal report, highlight reports were provided to the Audit and Finance Committee during the year. Four investigations with formal audit reports had 13 recommendations across four County and School departments. The next page summarizes investigation results.

<b>INVESTIGATION RESULTS</b>			
<b>Organization</b>	<b>Allegation(s)</b>	<b>Allegation Substantiated? (Yes/No)</b>	<b>Outcome</b>
Mental Health Support Services (MHSS)	Inflated Client Billing	No	Billing adjustment and collections procedure improvements were already in process. We will evaluate further in MHSS Audit on Fiscal Year 2018 Work Plan.
MHSS	Misuse of transportation vouchers	No	Internal controls are in place to prevent potential misuse.
County Administration	Whistleblower retaliation	No	Unsubstantiated
School Community Organization Support	Lifelong Learning Institute (LLI) mismanagement	No <sup>1</sup> ✓	3 recommendations for organization requirements, policy improvements, and communication.
Real Estate Assessor	Time abuse	No	Unsubstantiated
Juvenile Detention Home	Theft Time abuse	No ✓	1 recommendation for policy improvements.
Manchester High School Student Activity Fund	Mishandling of funds	Yes ✓	3 recommendations for Student Activity Fund Procedure compliance.
Fire & EMS Resource Management	Vendor overbilling Invoice overpayment	Yes ✓	6 recommendations for invoice approval and process improvements.
School Supplemental Retirement Program	Participant eligibility Legal authorization	No	Unsubstantiated
Emergency Communications Center	Policy violation for fundraising communication	Yes	Notified department of violation; planned fundraising activity was cancelled.
Bellwood Elementary School 21 <sup>st</sup> Century Community Learning Centers Grant	Grant misappropriation	No	School received approval from Department of Education.
Unnamed Department <sup>2</sup>	Time abuse	Pending	In process at fiscal year-end.

✓ Formal report issued.

<sup>1</sup> Allegations were made against an independent non-profit organization that partners with Chesterfield County Public Schools (CCPS). We focused our investigation on the relationship between CCPS, the County, and LLI. A recommendation was made for CCPS to share allegations received with LLI's Board of Directors.

<sup>2</sup> Department name withheld due to ongoing investigation.

## **CLOSING**

In addition to reducing losses and protecting the County's assets, the Fraud, Waste, and Abuse Hotline program provides intangible benefits such as policy and procedure improvements, strengthened internal controls, and deterrence of fraud or wrongdoing. Internal Audit continues to be proactive in educating employees on the Hotline as well as the Chesterfield County Fraud, Waste, and Abuse Detection and Prevention Policy and the Code of Ethics. We partner with the Learning and Performance Center on ethics training during County new employee orientations and provide training on internal controls and ethics to departments as requested.

<b>TRAINING PARTICIPATION</b>		
<b>Area</b>	<b>Sessions</b>	<b>Participants</b>
New Employee Orientation	22	537
School Principals	1	90
<b>Total</b>	<b>23</b>	<b>627</b>

In an effort to increase awareness, the Winter 2017 County Comments newsletter highlighted the Fraud, Waste, and Abuse Hotline and the ability of County employees to report suspected concerns. The Board of Supervisors resolution recognizing May as Internal Audit Awareness Month was also used to promote the Hotline program.



Ethics remains a top priority in Chesterfield County. We appreciate the coordinated efforts of County and School staff and management working together to maintain an ethical environment and workplace.

August 2017

# Highlights

Internal Audit Report to the Board of Supervisors/School Board

## Why We Did This Review

Internal Audit manages the Fraud, Waste, and Abuse Hotline program for the County and School Board.

The County's Hotline program is operated pursuant to the *Code of Virginia* § 15.2-2511.2 and provides a means for employees and citizens to confidentially report any activity or conduct where fraud, waste, or abuse are suspected. Chesterfield County Administrative Policy and Procedure 8-2 establishes the "tone at the top" of ethical expectations for all employees. The policy defines what constitutes fraud, with procedures employees must follow when fraud is suspected. Chesterfield County Personnel Policies (section 1-4) establish a code of ethics, further defining expectations for employee honesty and behavior. The combination of these elements provides a climate to help deter fraud and other unethical practices.

Our internal procedures require that a comprehensive annual report of activity be provided to the County Administrator and School Superintendent following fiscal year-end.

## What We Recommend

This report is being furnished for information only.



For more information, please contact  
Greg Akers, at 804-748-1240 or  
akersg@chesterfield.gov

# Fraud, Waste, and Abuse Hotline Program Fiscal Year 2017 Report

## Summary

This report summarizes activities from July 1, 2016 to June 30, 2017 for allegations that came to our attention through the Hotline program.

Internal Audit received 25 allegations. Citizens and anonymous individuals each made up 36% of the contacts received through the Hotline program. Calls to Internal Audit, internet reporting, and email were the primary reporting methods with each accounting for 24% of allegations. Common allegations concerned potential welfare fraud, employee time abuse, and theft.



In all 25 cases, allegations were evaluated by Internal Audit and resulted in:

- 11 Investigations
- 11 Referrals (to the appropriate County, School, or external department)
- 3 No action required (not enough information for investigation or referral)

There were 12 total investigations during Fiscal Year 2017, including one initiated in a prior fiscal year:

- 3 Substantiated the allegations
- 8 Allegations were not substantiated
- 1 In process at fiscal year-end.

Where investigations resulted in a formal report, highlight reports were provided to the Audit and Finance Committee during the year. Four investigations with formal audit reports had 13 recommendations across four County and School departments.

Internal Audit partners with the Learning and Performance Center on ethics training during County new employee orientations and provide training on internal controls and ethics to departments as requested. In Fiscal Year 2017, a total of 627 employees received ethics training.

Ethics remains a top priority in Chesterfield County. We appreciate the coordinated efforts of staff and management working together to maintain an ethical environment and workplace.