



Chesterfield County, Virginia Internal Audit

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GREG L. AKERS
Director

DATE: April 27, 2016

TO: Jay Stegmaier
County Administrator

FROM: Greg L. Akers
Director of Internal Audit

SUBJECT: County Administrator's Expenditures Audit

The Office of Internal Audit completed an audit of the County Administrator's Expenditures, and the final report is attached.

We would like to thank Lou Lassiter, Traci Dyer, and Joy Galusha for their cooperation and assistance during this audit.

Attachment

Copy: Lou Lassiter, Assistant County Administrator



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Chesterfield County
Internal Audit
Department

Greg L. Akers, Director
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Nikiesha Roney, Staff Auditor
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County Administrator's Expenditures

April 2016



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Highlights

Internal Audit Report to the Board of Supervisors/School Board

Why We Did This Review

Internal Audit conducted this review as part of our FY15 audit plan approved by the County Administrator and School Board Superintendent.

The audit focused on reviewing the County Administrator’s non-payroll expenditures in FY15 (as of March 31, 2015) for compliance with County Administrative Policies and Procedures. In particular, our objectives were to:

- Test for potential duplicate payments and split purchases.
- Test travel and training expenditures.
- Test wireless devices and non-cash awards.
- Report results to the County Administrator.

Commendation

We commend County Administration as all expenditures were created and approved by authorized employees, traced and agreed to supporting documentation, followed proper purchasing/County procedures, were for legitimate County business, and there were no duplicate payments or split purchases.

What We Recommend

Ensure any employee who has approval for a wireless device or service sign the Wireless Technology Usage Agreement as well as complete the Information Security Awareness training.



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

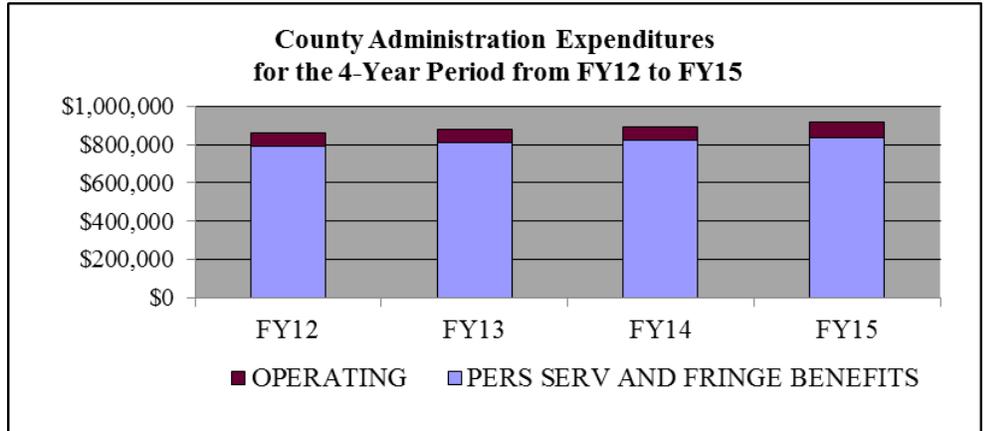
County Administrator’s Expenditures



What We Found

Background

For FY15, department expenditures totaled \$913,351 including operating expenditures of \$75,743. As shown in the chart below, there has been a minor (6.37%) increase in expenditures over the past 4 years. Expenditures have experienced minor fluctuations each year (ranging from a 1.08% increase to a 2.63% increase) from FY12 to FY15.



Non-Payroll Expenditures

The following audit testing was performed for FY15 (as of March 31, 2015) with immaterial, if any, discrepancies noted:

- All invoices were created and approved by the appropriate individuals.
- A sample of 25 non-payroll expenditures had adequate supporting documentation, complied with County policies and procedures, and were for legitimate County business.
- No duplicate payments and split purchases were found.

During our testing of non-cash awards we noted there is no written documentation outlining the employee recognition program.

Wireless Devices

Wireless data services are provided for one employee. We reviewed all wireless expenditures for FY15 (as of March 31, 2015) and tested for compliance to CAP 7-11, and the following was noted:

- The employee has not signed the Wireless Technology Usage Agreement.
- The employee has not taken the Information Security Awareness Training class.

Actions Taken

- On January 19, 2016, the employee signed the Wireless Technology Usage Agreement.
- On March 22, 2016, County Administration provided written documentation outlining their recognition program for non-cash awards.

Management concurred with 1 of 1 recommendation to be implemented by July 31, 2016.

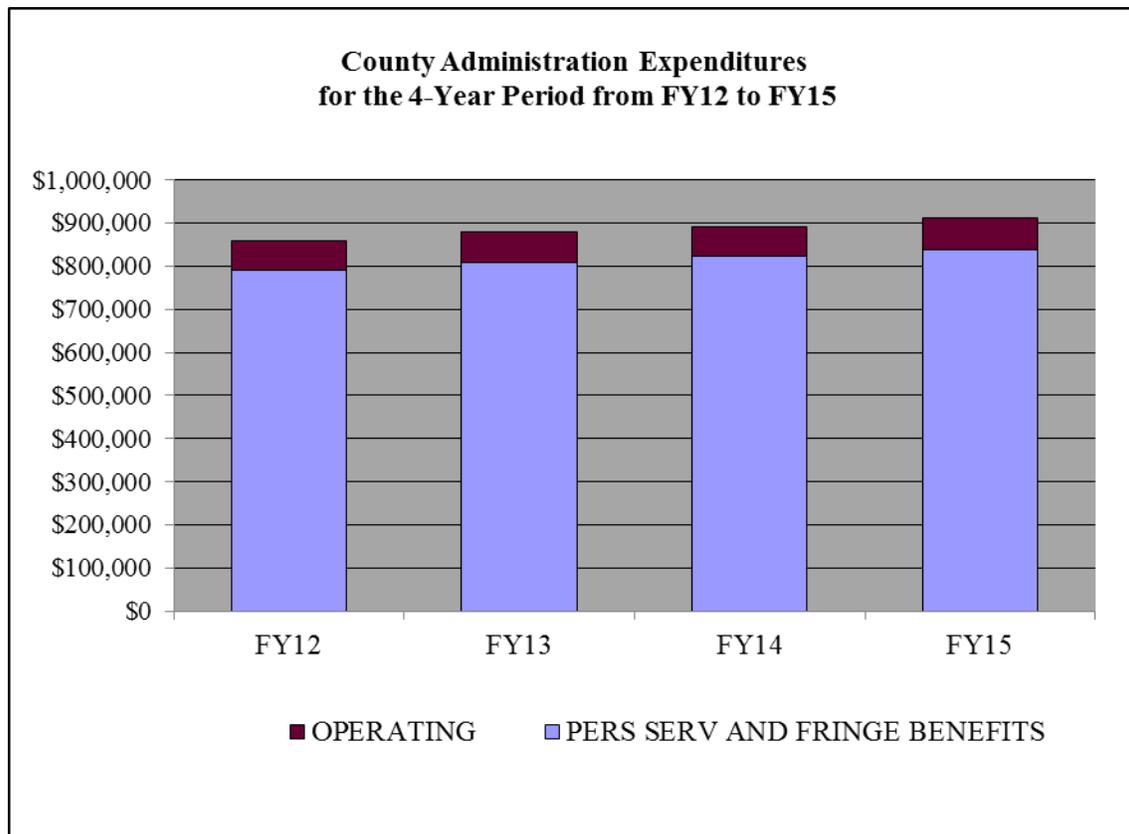
We appreciate the cooperation received from management and staff while conducting this audit.

INTRODUCTION

BACKGROUND

This audit was included in the FY15 Audit Plan as a regularly scheduled audit. The County Administrator's primary objective is to efficiently meet the needs of County citizens. Administration advises members of the Board of Supervisors, recommends policies, and sets programmatic priorities that provide the highest possible quality of life to County citizens. County Administration ensures compliance with applicable laws and ordinances, from all levels of government, and maintains open communication with the community. County Administration has 6 full-time employees.

For FY15, department expenditures totaled \$913,351 including operating expenditures of \$75,743. As shown in the chart below, there has been a minor (6.37%) increase in expenditures over the past 4 years. Expenditures have experienced minor fluctuations each year (ranging from a 1.08% increase to a 2.63% increase) from FY12 to FY15.



OBJECTIVES

Objectives of the audit were to:

- Review non-payroll and non-capital expenditures for compliance with policies and procedures.
- Test for potential duplicate payments and split purchases.
- Test travel and training expenditures.
- Test wireless devices and non-cash awards.
- Report results to the County Administrator.

SCOPE

Our audit work covered transactions processed in FY15 (as of March 31, 2015).

We considered the following County Administrative Policies and Procedures:

Accounting 1-1: Travel Policy	Accounting 1-5: Bill Approval, Documentation and Payment
Accounting 1- 15: Purchasing Card Policy	Accounting 1-19: In Focus Security and Responsibilities
HRM 6-14: Employee Recognition Program	IST 7-11: Wireless Device Policy
Purchasing 12-1: Authority and Responsibility	Purchasing 12-3: Purchasing Cycle
12-6 Exemptions	Purchasing 12-7: Delegated Purchasing Authority
Purchasing 12-9: Blanket Purchase Orders	Purchasing 12-10: Small Purchase Procedures

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS), except professional standards require us to disclose that Internal Audit reports through the County Administrator to the Budget and Audit committee of the Board of Supervisors. While the reporting through the Administrator technically impairs our independence under GAGAS for this audit, we otherwise followed GAGAS standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Stephanie Bookheimer, Staff Auditor performed the audit work. Chesterfield County Internal Audit is a department within the organization of Chesterfield County/Schools.

METHODOLOGY

Detailed information regarding the methodology can be found in the individual findings listed in the report. Internal Audit performed an analytical review of expenditure data, tested a sample of non-payroll expenditures including travel and credit card purchases, and reviewed for compliance with County Administrative Policies and Procedures.

INTERNAL CONTROL CONCLUSION

According to Government Auditing Standards, internal controls, in the broadest sense, encompass the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal controls include the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

Based on the results and findings of the audit test work, auditors concluded that internal controls were in place and there were minimal findings to question their ability to assist management in meeting its mission, goals, and objectives. Recommendations specific to improving these controls can be found in detail further in the audit report.

CLOSING

We would like to thank County Administration staff for their cooperation and assistance during the course of this audit.

FINDINGS, RECOMMENDATIONS, RESPONSES

Non-Payroll Expenditures

(Point Sheet C-1.5)

CRITERIA:

County Administrative Policy (CAP) 1-5: Accounting – Bill Approval, Documentation, and Payment outlines the procedures for bill approval, documentation, and payment for goods or services. The policy includes the following requirements: maintaining supporting documentation for all expenditures, using proper procedures and tax exemptions, and creating and approving invoices through authorized personnel. It also describes the policy against split purchases and duplicate payments.

CAP 12-7: Purchasing - Delegated Purchasing Authority outlines the procedures for delegated purchasing authority for transactions of \$5,000 or less. The policy includes, but is not limited to, the following requirements: using departments/schools shall not split orders to keep the dollar level of several orders below \$5,000 to avoid sending a requisition to Purchasing.

CAP 6-14: HRM – Employee Recognition provides the guidelines for the administration of the County’s Employee Recognition Program. The program includes cash, non-cash, and County service recognition. One of the requirements of the policy is that written documentation must be maintained outlining the recognition program, including the department’s procedures for using the inventory.

CONDITION(S):

The following audit testing was performed for FY15 (as of March 31, 2015) with immaterial, if any, discrepancies noted:

- All invoices were created and approved by the appropriate individuals.
- A sample of 25 non-payroll expenditures had adequate supporting documentation, complied with County policies and procedures, and were for legitimate County business.
- No duplicate payments and split purchases were found.

During our testing of non-cash awards we noted there is no written documentation outlining the employee recognition program.

CAUSE(S):

- County Administration performed expenditure related tasks appropriately by following administrative policies and procedures.
- The Department does not have written documentation outlining their employee recognition program.

EFFECT(S):

- Complying with administrative policies and procedures helps the County achieve its goal of being a model for excellence in government.
- Complying with policy ensures that the handling of non-cash awards is done consistently.

FINDINGS, RECOMMENDATIONS, RESPONSES

Non-Payroll Expenditures

(Point Sheet C-1.5 Continued)

ACTION(S) TAKEN:

On March 22, 2016, County Administration provided written documentation outlining their recognition program for non-cash awards.

COMMENDATION(S):

We commend County Administration as all expenditures were created and approved by authorized employees, traced and agreed to supporting documentation, followed proper purchasing/County procedures, were for legitimate County business, and there were no duplicate payments or split purchases.

FINDINGS, RECOMMENDATIONS, RESPONSES

Wireless Devices

(Point Sheet C-1.6)

CRITERIA:

CAP 7-11: IST - Wireless Devices Policy establishes procedures and responsibilities for the acquisition and use of County-issued and personal wireless devices. The policy states “all employees who have access to or are using a wireless device for County business are required to sign the Wireless Technology Usage Agreement.” Once an employee has approval for the use of a wireless service they will be directed to a training class for wireless technology awareness. Completion of the training class is mandatory for employees using County-issued or personal wireless devices for County business purposes.

CONDITION(S):

Wireless data services are provided for one employee. We reviewed all wireless expenditures for FY15 (as of March 31, 2015) and tested for compliance to CAP 7-11, and the following was noted:

- The employee has not signed the Wireless Technology Usage Agreement.
- The employee has not taken the Information Security Awareness Training class.

CAUSE(S):

The employee has not signed the Wireless Technology Usage Agreement and has not completed the training as required by policy CAP 7-11.

EFFECT(S):

The employee has not received the training prescribed by the Wireless Usage Agreement form.

ACTION(S) TAKEN:

On January 19, 2016, the employee signed the Wireless Technology Usage Agreement.

RECOMMENDATION(S):

We recommend County Administration:

1. Ensure any employee who has approval for a wireless device or service sign the Wireless Technology Usage Agreement as well as complete the Information Security Awareness Training.

MANAGEMENT'S RESPONSE(S):

1. *Concur. Lou Lassiter, Assistant County Administrator is responsible for implementing 7/31/16. Lou will ensure appropriate usage agreements and training are completed for assigned wireless devices in the future.*