



Chesterfield County, Virginia Internal Audit

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DATE: June 4, 2019

TO: Audit and Finance Committee (AFC):
The Honorable Leslie Haley, Midlothian District Supervisor
The Honorable Steve Elswick, Matoaca District Supervisor
The Honorable Robert W. Thompson, Matoaca District School Board
The Honorable John M. Erbach, Dale District School Board

Joseph P. Casey, PhD., County Administrator
Mervin B. Daugherty, Ed.D., School Superintendent

FROM: Greg L. Akers, Director of Internal Audit

SUBJECT: Approval Request, Internal Audit Proposed Policy Revisions

June 14, 2019 will be the first Joint County and School AFC meeting of 2019 and we are requesting approval of proposed Internal Audit (IA) policy revisions. The proposed policy revisions were previously distributed ([AFC website](#)) for the cancelled January 29, 2019 AFC Meeting. IA Policy 8-1 requires considering potential policy updates at the first calendar year AFC meeting.

At the November 9, 2018 Joint AFC meeting, proposed Internal Audit (IA) policy revisions were provided for consideration and input. Proposed revisions are attached (blacklined and highlighted) for:

- 8-1, IA Introduction (issued 9/28/18), and
- 8-2, IA Fraud, Waste and Abuse Prevention and Detection (issued 11/15/17).

The proposed revisions are for the recent County AFC membership restructuring and the School AFC created in October 2018. As discussed at the December 7, 2018 County AFC meeting, School Board members requested change to the proposed 8-1 provided on November 9th. The requested modification for audit policy change approval to occur through Joint AFC meetings is included in the attached proposed revisions.

There are no additional proposed revisions for this year.

Attachments



CHESTERFIELD COUNTY ADMINISTRATIVE POLICIES AND PROCEDURES

Department: Internal Audit
Subject: Introduction

Policy Number: 8-1
Supersedes: 9/28/18
Date Issued: ##/##/##

I. INTRODUCTION

The County of Chesterfield, Office of Internal Audit (O.I.A) was established as an independent review and evaluation service function to conduct and evaluate financial, and performance audits of programs, functions, and activities as a service to County and School management.

The Internal Audit Director (Auditor) reports to the County Administrator, School Superintendent, and the County and School's Audit and Finance Committees (AFCs). The Auditor also provides periodic internal audit reports and updates to the Board of Supervisors and School Board through their respective AFCs. The four member AFC consists of two members of the Board of Supervisors and two members of the School Board appointed by their respective Chairs. Annual performance review feedback for the Auditor is provided from elected officials via their representatives on the Audit and Finance Committees, and through the County Administrator and School Superintendent.

Independence – To be independent in fact and appearance, auditors must be free from conflicts of interest and free from interference in how the work is conducted and reported. The Auditor will comply with Government Auditing Standards to identify, safeguard against, or report threats to independence.

The Audit Director has no direct authority over other persons in the organization whose work he/she reviews. Such authority is vested in the Department head. Further, his review and evaluations do not in any way relieve other persons in the organization of the responsibilities and accountability for duties assigned to them.

Complete objectivity is essential to the audit function. The Auditor, therefore, should not develop and/or install procedures, prepare records, or engage in any activity, which he/she would normally expect to review.

Management Support – The organizational status of the Auditor and the support of his function by County and School Management provides the benchmark for the success of the internal audit program. The Auditor must have access to management at all levels to ensure adequate consideration and satisfactory resolution to all comments, recommendations and findings.

Unique Creation and Update Process for Internal Audit Administrative Policy and Procedure – County Administrative Policy (CAP) 09-01, County Administration – Administrative Policies and Procedures establish guidelines for creating, updating, and rescinding County Administrative Policies and Procedures. Based on Internal Audit's organizational placement, Internal Audit administrative policy and procedure creation or updates use an alternate approval process to CAP 09-01. Internal Audit policies will be evaluated at least annually for potential update during the Joint (County and School) AFC's first calendar year meeting. Internal Audit will provide recommended administrative procedure creation or update to the County Administrator and School Superintendent, and present to the Joint AFC for approval.

II. OBJECTIVES AND SCOPE

The Auditor shall have responsibility to conduct audits of all County and School departments, agencies, and activities as stipulated by County Code Chapter 6.12 to independently and objectively determine whether:

- A. Activities and programs being implemented have been authorized by either the Board of Supervisors, School Board, County Administrator, School Superintendent, state or federal law or regulations and are being conducted and funds expended in compliance with applicable laws;
- B. The department, office, or agency is acquiring, managing, protecting, and using its resources, including public funds, personnel, property, equipment, and space, economically, efficiently, equitably, and effectively and in a manner consistent with the objectives intended by the authorizing entity or enabling legislation;
- C. The entity, programs, activities, functions, or policies are effective, including the identification of any causes of inefficiencies or uneconomical practices;
- D. The desired result or benefits are being achieved;
- E. Financial and other reports are being provided that disclose fairly, accurately, and fully all information required by law, to ascertain the nature and scope of programs and activities, and to establish a proper basis for evaluating the programs and activities including the collection of, accounting for, and depositing of any funds, revenues, and other resources;
- F. Management has established adequate operating and administrative procedures and practices, systems or accounting internal control systems and internal management controls; and,
- G. During the course of audit work, there are no indications of fraud, waste, abuse or illegal acts.

III. ANNUAL AUDIT PLAN

- A. At the beginning of each fiscal year, the Auditor shall submit a ~~proposed~~ revised annual audit plan to the County Administrator, ~~and~~ School Superintendent, ~~and the AFCs for review and input approval.~~ This proposed audit plan will be presented for ~~is also~~ approved by the AFCs. The plan shall include the departments, offices, boards, activities and agencies scheduled for audit during the year. This plan may be amended during the year after review with the County Administrator/School Superintendent. Additionally, the Auditor may initiate and conduct any other audit deemed necessary to undertake.
- B. In the selection of audit areas, the determination of audit scope and the timing of audit work, the auditor may consult with the County's external auditors, Deputy County Administrators, School Division Chiefs and Department Heads so that desirable audit coverage is provided, and audit effort may be properly coordinated. Proposed audit plan will allocate resources between County and School projects proportionate to the auditable unit population.
- C. **Risk Assessment** – Internal Audit in developing or revising its Annual Audit Plan shall conduct a County-wide risk assessment. This allows Internal Audit to systematically evaluate risks related to auditable units. It also provides for an audit frequency for each auditable unit based upon a calculated risk score and other relevant factors. Auditable units and the assessed risk levels are subject to change over time.
- D. **Audit Follow-up** – On an annual basis, the Auditor will furnish the County Administrator, School Superintendent and AFC with a summary of all material unresolved comments, recommendations and management responses.

IV. SPECIAL EXAMINATION

The AFCs, County Administrator, School Superintendent, Deputy County Administrator, School Division Chief or Department Head may request the Auditor to perform special examinations or unplanned audits that are not included in the annual audit plan. The Auditor will determine the performance of requested items based on audit plan priorities, professional standards, available staff, and resources.

V. AUDIT PROCESS

- A. The Office of Internal Audit will make every effort to inform the auditee about an upcoming audit and be flexible in scheduling. Factors such as auditee's seasonal workload, or other issues, will be taken into consideration when scheduling audits and developing the timetable for completion. This notification will take the form of an **Entrance Conference Memorandum** that will outline the general scope, objectives of the audit, a proposed timetable for completion, request for general information, and the responsibility of the Auditor and Department Head. This memorandum will be sent to the Department Head at least two weeks in advance of the Entrance Conference.
- B. At the **Entrance Conference**, the auditee and the auditor will discuss approaches and expectations about the way the audit will be conducted. The Auditor will also determine whom management designates to receive Point Sheets. The Auditor will then conduct a **Survey**, which enables the Auditor to gain a working understanding of the mission, operations and functions of the entity or function being audited.
- C. The **Fieldwork** will commence after completion of the survey. The fieldwork stage involves testing of transactions, vouching of account balances, and evaluation of administrative and internal policies and procedures and other audit procedures deemed necessary. The fieldwork is conducted generally within the general framework of generally accepted government auditing standards.
- D. Upon completion of any function or activity during fieldwork, the In-charge Auditor will prepare **Point Sheets**. Point Sheets are written documents which list: Criteria, Condition, Cause, Effect and Recommendation(s) for each audit finding. These point sheets will be provided as drafts to management and discussed. The auditor will document point sheet discussion with management, noting if there was agreement and describing any disagreements. Based on supporting information from management, the In-Charge Auditor may revise the draft findings and/or perform additional testing. The evaluation of the Point Sheets by management and concurrence by the In-Charge Auditor only represents acknowledgement that the issues were discussed. It does not indicate approval or any final commitment.
- E. An **Exit Conference** will be scheduled by the Auditor. At the Exit Conference, the auditee and the Audit Director will discuss each comment and recommendation. This conference provides an opportunity for the auditee to produce evidence that may result in changes due to material inconsistencies, omissions, and/or errors in the point sheets. It also provides for a sound evaluation of the recommendations in terms of cost/benefit, timetables for implementation, or other resources that the audit process may not have identified. The Exit Conference takes place after the issuance of all point sheets and discussion with management.
- F. Based upon the results of the Exit Conference, the Auditor will provide the auditee with a **DRAFT REPORT**, which will include revised comments and recommendations. The department must return the Draft Report with responses within 21 days from the draft report date. The Audit Director and auditee will then discuss this Draft with the appropriate Deputy County Administrator or School Division Chief when necessary. If material disagreement remains after this meeting, the Audit Director must document points of disagreement and will be responsible for mutually scheduling a meeting with the Auditee, County Administrator or School Superintendent, and /or appropriate Deputy County Administrator or School Division Chief to resolve the issues.
- G. The last stage will result in the issuance of a Final Audit Report. The report will include:
 1. An Executive Summary to summarize the audit for top management and an Auditor's Opinion (if necessary),

2. A precise statement of the objectives and scope encompassed by the audit, as well as, some background information,
3. A statement that the audit was performed in accordance with generally accepted government auditing standards,
4. A statement of material and immaterial audit findings, including a statement of the underlying cause and evaluative effects,
5. A statement that internal control systems were examined, and report of any material weaknesses found in the internal control systems,
6. Statements of response submitted by the audited department or agency relevant to the audit findings,
7. A concise statement of corrective actions taken or contemplated as a result of the audit findings and a time table for their accomplishments,
8. Recommendations for additional necessary or desirable action and follow-up procedures,
9. A statement disclosing we are a department within Chesterfield County/Schools.

VI. REPORT OF IRREGULARITIES/FRAUD

If the auditor suspects violations of law or malfeasance, misfeasance, nonfeasance, or dereliction of duty by an officer or employee, the Auditor shall report such irregularities to the County Administrator or School Superintendent. If the irregularity is criminal in nature, the Auditor shall immediately notify the County Administrator or School Superintendent and the Commonwealth Attorney or Police in addition to those previously cited.

VII. CONTRACT AUDITORS, CONSULTANTS, AND EXPERTS

An audit that is performed by contract must be conducted by persons who have no financial interests in the affairs of the governmental units or its officers. The Auditor will coordinate and monitor auditing performed by public accounting or other organizations employed under contract by the County to assist with audit related activities. Contracting for external audits will be awarded in accordance with established procurement procedures.

VIII. ACCESS TO RECORDS AND PROPERTY (COUNTY CODE CHAPTER 6.12)

All officers and employees of the County and School system as designated by the County and School Attorney shall furnish (within legal constraints) the Auditor with requested information and records within their custody regarding powers, duties, activities, organization, property, financial transactions and methods of business required to conduct an audit or otherwise perform audit duties. In addition, they shall provide access for the Auditor to inspect all property, equipment, and facilities within their custody. If such officers or employees fail to produce the aforementioned information, then the Auditor, subject to County Administrator's or School Superintendent's approval, may request a search to be made and exhibits to be taken from any book, paper or record of any such official or employee, excepting personal information, and every office having the custody of such records shall make a search and forward such requested information to the Auditor.

The Auditor shall retain in accordance with "the Commonwealth of Virginia Records Retention and Disposition Schedules" all audit reports, including examinations, investigations and reviews made. Audit work papers and other supportive material directly pertaining to the audit report will be retained for 8 years.

IX. AUDIT REPORT DISTRIBUTION

- A. **Point Sheets** – Limited between In-Charge auditor and the auditee Management Designee.
- B. **Draft Report** – After Exit Conference, distribution will include Department Head, Assistant Department Head, and Audit Director.
- C. **Final Audit Report** – Distribution to the **Board of Supervisors, School BoardAFC**, Department Head, appropriate Deputy County Administrator, School Division Chief, and County Administrator or School Superintendent. Audit Director may send courtesy copies of appropriate sections to the Director of Accounting, Budget and Management, Human Resources, Information System Technology (IST) and other departments, if situations warrant Department Head will be notified before release.

X. PEER REVIEW

The Internal Audit activities of the Auditor's office shall be subject to peer review at least once every three years by a professional, nonpartisan objective group utilizing guidelines endorsed by the Association of Local Government Auditors. A copy of the written report of this independent review shall be furnished to the County Administrator, School Superintendent and the AFCs.

The peer review will use generally accepted government auditing standards to evaluate the quality of audit effort and reporting. Specific peer review areas shall include staff qualifications, preparation and evidence, and the adequacy of systems for reviewing internal controls, fraud, waste and abuse, program compliance, and automated systems. The peer review will also assess the form, distribution, timeliness, content, staff qualifications, independence, due professional care, quality control, fieldwork, (♦ planning ♦ evidence ♦ internal control ♦ supervision ♦ legal and regulatory requirements) reporting, and presentation of Internal Audit reports.



CHESTERFIELD COUNTY ADMINISTRATIVE POLICIES AND PROCEDURES

Department: Internal Audit
Subject: Fraud, Waste and Abuse Prevention and Detection

Policy Number: 8-2
Supersedes: 11/15/17
Date Issued: ##/##/##

I. PURPOSE

Chesterfield County's Strategic Plan goal "Model for excellence in government" includes an objective to "Require the highest standards of professionalism, ethics, and integrity." To help achieve this objective, this policy has been developed to prevent and detect fraud. The policy also defines what constitutes fraud and outlines expectations and procedures all employees must follow when fraud, waste or abuse is suspected. This policy also addresses requirements of the *Code of Virginia*, §15.2-2511.2, Duties of local government auditors for the fraud, waste, and abuse hotline.

II. SCOPE

This procedure applies to all County employees. Chesterfield County School Board Policy 2170 includes similar employee responsibilities to report suspected fraud, waste or abuse.

III. DEFINITIONS

A. **Fraud** – *Intentional deception* perpetrated by an individual or individuals, or an organization or organizations, either internal or external to local government, *that could result in a tangible or intangible benefit* to themselves, others, or the locality *or could cause detriment* to others or the locality. Fraud includes a false representation of a matter of fact, whether by words or by conduct, by false or misleading statements, or by concealment of that which should have been disclosed, which deceives and is intended to deceive. Specific examples of fraud include but are not limited to:

1. Theft of County Funds.
2. Serious abuse of County time such as unauthorized time away from work or excessive use of County time for personal business.
3. Unauthorized use or misuse of County property or records.
4. Falsification of records.
5. Theft or unauthorized removal of County records, County property or the property of other persons (to include the property of employees, supervisors, consumers, clients, customers, inmates or visitors).
6. Willful destruction or damage of County records, County property or the property of other persons (to include the property of employees, supervisors, consumers, clients, customers, inmates or visitors).
7. Neglecting or subverting job responsibilities in exchange for an actual or promised reward.
8. Improperly influencing or misleading auditors or investigators.

B. **Waste** – *Intentional or unintentional, thoughtless or careless expenditure, consumption, mismanagement, use, or squandering of resources* owned or operated by the County or Schools to the detriment or potential detriment of the organization. Waste also includes incurring unnecessary costs because of inefficient or ineffective practices, systems, or controls. Specific examples of waste include but are not limited to:

1. Unnecessary spending to purchase items including:
 - a. Unneeded items that have no business purpose.
 - b. Purchases at inflated prices.
 - c. Overstocking inventory.
 - d. Replacing functional items without cause.
2. Unnecessary use of resources including:
 - a. Wasteful use of government property or equipment.
 - b. Performing unnecessary work.
 - c. Wasting energy including electricity and fuel.
3. Mismanagement of resources.
 - a. Failure to reuse or recycle major resources.
 - b. Improper disposal of property or hazardous materials.

C. **Abuse** – *Excessive or improper use* of something, or the employment of something in a manner *contrary to the natural or legal rules* for its use; the intentional destruction, diversion, manipulation, misapplication, maltreatment, or misuse of resources owned or operated by the County or Schools; or extravagant or excessive use so as to abuse one's position or authority. Specific examples of abuse include but are not limited to:

1. Minor County time misuse, such as unauthorized work absence or conducting personal business, including:
 - a. Taking long lunches or other excessive breaks
 - b. Arriving to work late or leaving early, not working a complete work day.
 - c. Failing to report leave for absences.
 - d. Conducting secondary employment activity during work hours (such as selling products, preparing tax returns, selling real estate, scheduling or receiving deliveries).
 - e. Conducting significant personal business during work hours.
2. Improper personal use of County resources, including:
 - a. Using government vehicle for commercial purposes, personal gain, or advancing or inhibiting religious beliefs or political positions.
 - b. Using government equipment, computer, email, services, materials or supplies for commercial purposes, personal gain, or advancing or inhibiting religious beliefs or political positions.
 - c. Failure to report damage to government property or equipment.
 - d. Unnecessary travel or conference attendance.
 - e. Inflated travel or expense reimbursement.

- f. Receiving favors for awarding contracts to certain vendors.
 - g. Using one's position to gain an advantage over another resident when conducting personal business with the government.
3. Unfair hiring, promotion, and severance practices including:
 - a. Pre-selection of candidates.
 - b. Selection of unqualified candidates.
 4. Intentionally circumventing or overriding policy, procedure or internal controls without appropriate justification or approval.
- D. **Internal Controls** – Organization's system to provide reasonable assurance of effective and efficient operations, reliable financial and performance reporting, compliance with applicable laws and regulations, and safeguarding assets. The fundamental difference between internal control weaknesses resulting in errors and those weaknesses resulting in fraud is intent.
- E. **County Funds** – Currency, checks, or other negotiable instruments belonging to the County of Chesterfield or Chesterfield County Public Schools (CCPS), or for which the County or CCPS is the fiscal agent or has a fiduciary responsibility.
- F. **County Property** – Any tangible item owned by the County of Chesterfield or CCPS.
- G. **Retaliation** – When an individual is discriminated against or penalized for reporting fraud or for cooperating, giving testimony, or participating in any manner in an audit/investigation, proceeding, or hearing.

IV. BACKGROUND

- A. Studies have shown that "red flags" of fraud within an organization were ignored by the organization in many of the frauds reported. Downsizing and repositioning of an organization increases the risk of fraud. Internal controls are the best method of preventing fraud. Poorly written or poorly enforced internal controls allow most frauds to occur.
- B. Fraud occurs for the following reasons (note: there are multiple reasons in some cases):
1. Poor internal controls
 2. Management override of internal controls
 3. Type of organization (industry with high risk of fraud)
 4. Collusion between employees and third parties
 5. Poor or non-existent company ethical standards
 6. Lack of control over managers by their supervisors

- C. Some “red flags” of fraud are:
1. Changes in an employee’s lifestyle, spending habits or behavior
 2. Poorly written or poorly enforced internal controls, procedures, policies or security
 3. Irregular/unexplained variances in financial information
 4. Inventory shortages
 5. Failure to take action on results of internal/external audits or reviews
 6. Unusually high expenses or purchases
 7. Frequent complaints from customers
 8. Missing files
 9. Ignored employee comments concerning possible fraud
- D. Perpetrators of fraud typically live beyond their reasonably available means. Other indicators of fraud include: the borrowing of small amounts of money from co-workers, collectors or creditors appearing at the place of business, excessive use of telephone to stall creditors, falsifying records, refusing to leave custody of records during the day, working excessive overtime, refusing vacations, and excessively rewriting records under the guise of neatness.
- E. The following internal controls help prevent fraud:
1. Adherence to all organizational procedures, especially those concerning documentation and authorization of transactions
 2. Physical and logical security over assets such as locking doors, firewalls, password protection and restricting access
 3. Proper training of employees
 4. Independent review and monitoring of tasks
 5. Separation of duties so that no one employee is responsible for a transaction from start to finish
 6. Clear lines of authority
 7. Conflict of interest statements that are enforced
 8. Rotation of duties in positions more susceptible to fraud
 9. Ensuring that employees take regular vacations
 10. Regular independent audits of areas susceptible to fraud
- F. To provide opportunities for employees and citizens to report allegations of fraud, waste and abuse, Internal Audit shall administer a telephone hotline, website and other methods through which employees and residents of Chesterfield County may report anonymously any incident of fraud, waste and abuse. Internal Audit will coordinate investigations with other departments as necessary.

V. EXPECTATIONS

- A. All County employees should practice the following as it applies to their job:
1. Know the fraud-related exposures in your area.
 2. Know the symptoms or indicators of fraud.
 3. Put in place methods to identify wrongdoing.
 4. Make sure transactions you personally approve are not fraudulent.
 5. Personally monitor for frauds which only you are in a position to detect.
 6. Question and challenge the unusual.
 7. Set an example of honest and ethical behavior by personal example and by not tolerating dishonest or unethical behavior in others.
 8. Strive to prevent fraud by minimizing the exposures and reducing the opportunities and temptation.
 9. Never inappropriately subordinate the needs of the organization to your own needs.
 10. Recognize and respond to increased exposures.
 11. Do not seek to achieve goals through dishonest or unethical means, and do not tolerate such behavior from others.
 12. After a fraud, initiate corrective action to reduce the risk that fraudulent activity will recur.
 13. Take appropriate disciplinary action.
 14. Immediately refer suspected wrongdoing to Internal Audit or your supervisor for investigation.
 15. Encourage other employees to be vigilant in reporting suspected wrongdoing.
 16. Do the right thing.

VI. PROCEDURES

- A. **All Employees** – Any employee who has knowledge of an occurrence of fraud, waste or abuse, or has reason to suspect that a fraud, waste or abuse has occurred, shall immediately notify his/her supervisor or Internal Audit. If the employee has reason to believe that the employee's supervisor may be involved, the employee shall immediately notify the Department Director/Chief of his/her department or Internal Audit. Every employee shall cooperate with administrative investigations pursuant to this administrative procedure in accordance with County Personnel Policies and Procedures. The employee shall not discuss the matter with anyone other than his/her supervisor, the Department Director/Chief, the Internal Audit department and the Police Department.
- B. **Supervisor** – Upon notification from an employee of suspected fraud, waste or abuse, or if the supervisor has reason to suspect that a fraud, waste or abuse has occurred, the supervisor shall immediately notify the Department Director/Chief of his/her department or Internal Audit. The supervisor shall not attempt to investigate the suspected fraud or to discuss the matter with anyone other than the Department Director/Chief, the Internal Audit Department and the Police Department. However, if the supervisor has reason to believe that the Department Director/Chief

may be involved in a fraud, the supervisor shall contact the Internal Audit Department or Police Department.

C. **Department Director/Chief** – Upon notification from an employee or supervisor of suspected fraud, waste or abuse, or if the Department Director/Chief has reason to suspect that a fraud, waste or abuse has occurred, the Department Director/Chief shall immediately contact the Internal Audit Department. The Department Director/Chief shall not attempt to investigate the suspected fraud or to discuss the matter with anyone other than the Internal Audit Department and the Police Department.

D. **Internal Audit** – Internal Audit logs all Fraud, Waste, and Abuse allegations received and evaluates 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), insufficient information to initiate an action, or no action required.

Internal Audit determines if a separate report is necessary for each specific case. If applicable, such separate reports are provided to the County Administrator or School Superintendent, and the **Audit and Finance Committees**. Internal Audit documents disposition and if the allegation was substantiated for each case. All opportunities to improve internal controls or disagreements with management's decisions are not necessarily Fraud, Waste or Abuse. Internal Audit provides a fiscal year report to the **Audit and Finance Committees** summarizing all allegations with dispositions.

When Internal Audit *suspects* fraud, the Internal Audit Department will investigate the fraud and promptly notify the Chesterfield County Police Department.

E. **Record Security** – A successful audit/investigation can only be performed if the documentation relating to an alleged fraud is available for review in its original form. Therefore, once a suspected fraud is reported Department Directors/Chiefs and supervisors shall take immediate action to prevent the theft, alteration, or destruction of relevant records. Such actions include, but are not necessarily limited to, removing the records and placing them in a secure location, limiting access to the location where the records currently exist, and preventing the individual suspected of committing the fraud from having access to the records. The records must be adequately secured until Internal Audit obtains the records to begin the audit investigation.

F. **Contacts/Protocols** – After an initial review and a determination that the suspected fraud warrants additional investigation, Internal Audit will notify the County Administrator or School Superintendent, Appropriate Deputy County Administrator or School Division Chief, Human Resources, County or School Attorney, Police Department, and Commonwealth Attorney of the allegations. Internal Audit shall coordinate the investigation with the appropriate law enforcement officials and shall report its investigative findings as described below.

At the conclusion of such fraud investigations, Internal Audit will document the results in a confidential memorandum report to the County Administrator or School Superintendent with a copy to the appropriate Deputy County Administrator or School Division Chief and Department Director/Chief. If the report concludes that the allegations are founded, the report will be copied to Human Resources, the County or School Attorney, and the Accounting Department. If the

report documents that criminal offenses may have occurred, copies will also be sent to the Chief of Police and the Commonwealth's Attorney.

If the fraud has resulted in County or School property loss, Internal Audit shall report such loss to the Risk Management Department. Risk Management shall seek restitution for any property loss.

- G. **Confidentiality** – All participants in a fraud investigation shall keep the details and results of the investigation confidential except as expressly provided in this administrative procedure. However, Internal Audit and the Police Department may discuss the investigation with any person if such discussion would further the investigation. Internal Audit obtains reports of suspected fraud, waste and abuse in confidence, specific details cannot be released in order to maintain confidentiality and anonymity (Code of Virginia, §2.2-3705.3. (7)). Information for completed investigations will not reveal the identity of the complainants or persons supplying information to investigators. If an investigation does not lead to corrective action, the identity of the person who is the subject of the complaint may be released only with the consent of the subject person.
- H. **Personnel Actions** – If a suspicion of fraud is substantiated by the audit investigation, disciplinary action shall be taken in conformance with the County's Personnel Policies and Procedures. A false and vindictive allegation of fraud is a violation of this administrative procedure. All violations of this administrative procedure, including violations of the confidentiality provisions, shall result in disciplinary actions up to and including termination and loss of retirement benefits and retiree health benefits.
- I. **Retaliation** (Whistleblower protection) – It is a violation of this administrative procedure to discriminate against any individual for their reporting, cooperation, testimony, participation, or other activities related to a fraud, waste or abuse investigation. This includes threatening, attempting, taking, or directing others, on any reprisal or personnel action. Any such reprisals by employees will be subject to disciplinary procedures under personnel policies. Reckless accusations of fraud waste, or abuse that an employee or citizen knew, or should have known, were false or malicious are not protected.
- Whistleblower reprisal complaints* should be filed with the Fraud, Waste and Abuse Hotline and describe the:
1. Related original fraud, waste or abuse allegation or investigation,
 2. Retaliatory action taken or withheld, and
 3. Responsible person(s) performing and/or directing the retaliation.
- J. **Media Issues** – If the media becomes aware of an audit investigation, the appropriate supervisor or Department Director/Chief shall refer the media to the Office of Communications and Media. The alleged fraud and audit investigation shall not be discussed with the media other than through the Office of Communications and Media.
- K. Upon completion of the audit investigation and all legal and personnel actions, records will be returned by Internal Audit to the appropriate department if acceptable.