Audit and Finance Committee (AFC) Meeting Notes  
February 13, 2020 2:30 pm

AFC Members in Attendance:  
Mr. Jim Holland, Mr. Chris Winslow

Staff in Attendance:  
Clay Bowles, Teresa Bonifas, Barry Condrey, Khara Durden, Matt Harris, Lori Newton, Andrea Peeks, Steve Sanderson, Tommy Tucker, and Scott Zaremba.

Call to Order:  Mr. Holland called the meeting to order at 2:30 pm. Mr. Winslow introduced the two new directors present (Khara Durden, Internal Audit, and Andrea Peeks, Director of Budget and Management). Mr. Holland then asked the rest of attendees to introduce themselves and their Department name.

1. **FY2020 External Audit Update: Steve Sanderson, Audit Manager, Internal Audit**
   - Mr. Sanderson gave the Committee members an update on the FY2020 External Audit selection process. He noted since contract is still in negotiation phase, he is unable to name the firm or who submitted proposals.
   - Mr. Harris clarified for Mr. Holland the expected results would be presented in the 3/11/20 meeting. Ms, Newton, Acting Director of Procurement, added that they are on the last part of the procurement negotiations.
   - Mr. Harris noted this item would become a consent agenda item. Mr. Holland asked that he and Mr. Winslow be briefed on the terms of the contract.

2. **Internal Audit: Khara Durden, Director of Internal Audit / Steve Sanderson, Audit Manager**
   a. **Internal Audit Policies 8-1 and 8-2 annual Review Update:** Ms. Durden introduced herself and explained the annual requirement for reviewing the Internal Audit Policies and stated the last review had been completed and signed off on 6/14/19 by the both Boards. Mr. Sanderson added that both policies were updated to reflect the two AFC committees (County and School). Policy 8-1 covers the Policy 8-2 covers the Fraud, Waste, and Abuse (FWA) guidelines. He also explained how the FWA AFC updates reflect those requirements. Mr. Holland commended the process for impacting controls and assisting from issues reoccurring.
   b. **Periodic FY20 Audit Plan and Hotline Activity Update:** Mr. Sanderson reviewed the Internal Audit FY20 Hotline Status Update.* Per Mr. Winslow’s question, Mr. Sanderson explained FWA calls received are not always FWA allegations but may include citizen’s service concerns. Often, allegations received are for other Departments who have their own FWA investigation team for Caller’s Allegations. (i.e. Social Services); however, IA still reports all calls in order to maintain a complete record of calls received.
   c. **Periodic Reports Update:** Ms. Durden reviewed the highlights from each report listed on the meeting agenda and asked for any questions.
i. Emergency Communications Center (Redacted), November 22, 2019
   o Mr. Holland agreed that the FOIA Exempt status was important and that a review on these systems should be documented and checked.

ii. Social Media Special Project, December 3, 2019

iii. Community Organizations Applying for FY21 Donations, December 31, 2019
   o Ms. Durden clarified for Mr. Holland that these Organizations were still required to provide an Audited Financial Statement.

iv. FY19 Expenditures – Jan 1st through June 30th, January 27, 2020
   o Ms. Durden responded to Mr. Winslow’s question regarding non-cash award reporting, confirming that departments report directly to Payroll. Ms. Durden also discussed the use of Data Analytic software to review payments and spoke to the need to increase training in that area.

v. Accounting ONESolution Enterprise System Security, Redacted, February 4, 2020
   o Mr. Holland stated he would like to discuss this report at a later time.

3. Budget and Management: Clay Bowles, Director of General Services and Matt Harris, DCA Finance and Administration
   
   - Mr. Harris introduced the next topics and stated he was sitting in for Dr. Casey who had a prior commitment. Mr. Harris briefly described the AFC meeting format, to which Mr. Holland and Mr. Winslow agreed upon.

   a. Proposed Recycling Fee:
      o Mr. Bowles reviewed the Curbside Recycling Fee PowerPoint Presentation.*
      Mr. Bowles confirmed for Mr. Winslow that the current contract expired 2023.
      o Mr. Bowles agreed with Mr. Holland’s statement that Revenues vs. Expenditures should be reviewed annually and reported to the County Administrator in order to make necessary adjustments to the fee.
      o Mr. Bowles responded to Mr. Holland’s inquiry regarding the messaging about the increase in recycling fees by discussing General Services partnership with Communication and Media and Citizen Information and Resources to develop the message. Mr. Holland suggested using the Chesterfield PSA service as well.

   b. Mr. Bowles confirmed that a significant number of residents currently use private services, but not sure of the exact number. He will get the information and send to Mr. Winslow. Mr. Winslow also inquired whether this model would reduce the current tonnage. Mr. Bowles responded that he did not currently have that information but should have by next year once the program changes have been in place for one year. General Services is recommending a price increase for recycling services to ensure the County can continuing offering recycling option for citizens without a financial subsidy from the General Fund.
c. **Recommendation for Advertisement of Tax Rate:**
   - Mr. Harris reviewed his presentation and explained it was a small excerpt of what would be presented at the meeting on 2/19/20.
   - Mr. Holland noted that Chesterfield has learned from historical mistakes and found ways to balance the commercial and residential real estate rates better.
   - Mr. Holland and Mr. Winslow asked that Mr. Harris bring them a recommendation for the senior relief program and suggested working with the Commissioner of Revenue to help fashion a new program. Mr. Harris confirmed that Ms. Peeks, Budget Director, would be in conversation with Jenefer Hughes, Commissioner of Revenue on how we can have an automatic adjuster for inflationary programs going forward.
   - Mr. Holland and Mr. Winslow stated they will recommend to the other Board members to keep with the 95 cent or below rate. Mr. Harris thanked Mr. Holland and Mr. Winslow and said he would bring back greater details on the tax relief program and other areas they discussed in the next AFC meeting.
   - Mr. Winslow and Mr. Holland had some questions about schools and would like to look at their budget vs. actual numbers closer.

**Mr. Holland adjourned the meeting at 3:45 pm.**

4. **Next Meeting**
   - The date for the next meeting has not been set yet. Ms. Peeks will be sending out information within the next week to set up a meeting in March.

*All February 13, 2020 meeting handout materials noted above are available on Chesterfield.Gov [Audit and Finance Committee](#) webpage.*
### Audit and Finance Committee of the Board of Supervisors

**Date:** February 13, 2020  
**Time:** 2:30 pm  
**Location:** Room 502

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<tr>
<th>Item</th>
<th>Person Responsible</th>
<th>Materials</th>
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<tbody>
<tr>
<td>1. FY2020 External Audit Update</td>
<td>Steve Sanderson</td>
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<td>2. Internal Audit:</td>
<td>Khara Durden</td>
<td>IA FY20 Project Status Update</td>
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<td>IA FY20 Hotline Status Update</td>
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<td>b. FY20 Audit Plan and Hotline Activity Update</td>
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<td>Clay Bowles</td>
<td>Curbside Recycling Fee Model</td>
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**Chesterfield County, Virginia**

**Internal Audit FY20 Project Status Update**

### Completed FY20:
- **Accounting, Enterprise System Security**¹
- **Emergency Communications Center**¹
- External Audit Support
- Fraud, Waste, and Abuse Hotline Program, FY19 Report
- **Financial Statement Review:**
  - Community Organizations Applying for FY21 Donations¹
- FY19 Expenditures – through 12.31.18
- **FY19 Expenditures – through 6.30.19**¹
  - 2.13.20 AFC Meeting

### In Progress:
- Accounting, Revenue Collection Points *(Draft report issued 02.06.20)*
- Airport SP *(Draft report issued 01.22.20)*
- Annual Follow-Up
- CDBG Program Compliance
- County/School Special Projects/Hotline
- Financial Statement Review:
  - CDBG & HOME Applicants
  - Volunteer Fire & Rescue Organizations CY19
- HR, Benefits Administration
- FY19 School Activity Funds
- Internal Audit FY19 Report Card
- Cooling Tower Maintenance SP
- Sheriff, FY19 Jail Canteen & Inmate Trust Fund
- **Social Media SP**¹
- Treasurer, Tax Billing, Payment Procedures, and Balances
- Parks & Recreation, Concessions Stands Leases and Leases (Softball, etc.)
- Police, Training
- Risk Management, Claims Administration and Workers Compensation
- Schools, School IT Risk Assessment
- Social Services, General Relief
- Utilities, Customer Information System

### Remaining:
- Audit Risk and Work Plan Performance
- County Affiliated Entities/ERM
- Economic Development, Revitalization
- Financial Statement Review:
  - APA Comparative Report
- General Services, Security Program
- IST, Application Security Controls,
- Peer Review (other organization participation)
- Schools, Capital Projects and Maintenance
- Schools, Student Enrollment

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Audit and Finance Committee Meeting – February 13, 2020
Internal Audit Handout
ALLEGATIONS RECEIVED FY20
There have been 17 allegations received through February 13, 2020, and 5 allegations carried over from Fiscal Year 2019.

<table>
<thead>
<tr>
<th>November 8</th>
<th>Activity Since Prior Update</th>
<th>February 13</th>
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<tr>
<td></td>
<td>New</td>
<td>Closed</td>
</tr>
<tr>
<td>Investigations</td>
<td>1*</td>
<td></td>
</tr>
<tr>
<td>Referrals</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Open/Pending Items</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>8</td>
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* A completed investigation was not included on summary provided at November 8 AFC Meeting. As a result, the beginning November 8 amount has been updated.

ALLEGATIONS CLOSED FY20
Since November 8, we have closed seven allegations and issued hotline summary reports to the responsible Department/Division management. Six allegations were closed by referral. Investigation(s) completed this period (including November 8 investigation noted above):

<table>
<thead>
<tr>
<th>Department</th>
<th>Allegation (Source)</th>
<th>Allegation Substantiated (Yes/No)</th>
<th>Summary Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Office of Special Education</td>
<td>IDEA (Individuals with Disabilities Education Act) grant funds grant fund abuse (Citizen)</td>
<td>No</td>
<td>No outsourced legal services payments from IDEA funds were identified.</td>
</tr>
<tr>
<td>School Finance</td>
<td>School Activity Fund Check Fraud by Citizen (Management)</td>
<td>Yes</td>
<td>Offender arrested. School Finance revised policy and shared with bookkeepers and principals.</td>
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Curbside Recycling Fee Model
Audit and Finance Committee

February 13, 2020
Program Status Recap

- CVWMA created in 1990 to help satisfy waste diversion requirements
- No private providers at that time
- $25/household annual fee implemented in FY11, with opt-out provision
- County’s recycling exceeds 14K tons per year w/ ~40% set out rate
- Changes to international standards for recycled commodities has collapsed market
- FY20 projected general fund program subsidy = $859K
- Absent changes to program or market, local subsidy exceeds $1M by FY23
- In response, localities employing multiple mitigation strategies
Curbside Recycling Update

Regional Response – Consultant Scope of Work

- Review existing solid waste and recycling programs and assist with development of future recycling model
- Identify gaps and opportunities in recycling, while balancing economic challenges.
- Identify most sustainable business model for recycling with consideration on financial impact to local governments, residents and businesses

County Model Goals

- Bi-Weekly Subscription Service
- Vendor or Third-Party Billing
- Cart-based (no bins)
- Vendor performs day-to-day customer service functions
- Easy web & telephone based opt-in/opt-out process
- Program expansion multi-family residences and businesses
- Greater emphasis on 3 R’s – Reduce, Reuse, Recycle
Curbside Recycling Fee Model

Fee Elements

• Curbside recycling per household cost made up of 4 elements:
  ➢ Hauling/collection
  ➢ Public Relations/education
  ➢ Customer Service
  ➢ Materials processing

• County participates in other CVWMA programs (e.g., electronics recycling) billed separately from curbside recycling

• County also pays per capita annual assessment to CVWMA – not included in curbside recycling calculation
Curbside Recycling Fee Model

Recommendation Highlights

• Restructured fee of $40 annually based on actual participants
  ➢ $15 annual increase ($1.25/month)

• Fee determined by simply dividing program cost by actual participants

• Recycling operates on FY model vs. revenue source via tax bill operating on CY model

• Assumptions:
  ➢ 3% increase in opt-outs and non-payment write-offs annually
  ➢ 2% contractual cost CPI increase

• Annual review w/ County Administrator ability to decrease/increase fee based on actual participation
  ➢ Revenues above expenses reserved to offset future cost increases

• Transition program to a subscription/opt-in model for new property owners

• Citizens can still opt out, if desired

• Implementation of a “welcome letter” inviting citizens to subscribe/opt in to program and explain sign-up process

• Letter to opted-out citizens to encourage participation in program
Curbside Recycling Fee – Audit & Finance Committee

??? Questions ???