

**Audit and Finance Committee (AFC) Meeting Notes**  
**March 29, 2019 9:00 am**

Supervisors in Attendance:

Ms. Leslie Haley, Chairman  
Mr. Steve Elswick, Vice Chair  
Dr. Joseph Casey, County Administrator

Staff in Attendance:

Greg Akers  
Patsy Brown  
Debbie Burcham  
Allan Carmody  
Meghan Coates  
Barry Condrey  
Keith Gagnon  
Andrew Gillies  
Matt Harris  
Steve Sanderson  
Sarah Sneed  
Mike Tompkins  
Kathleen Thompson  
Scott Zaremba

**Call to Order:**

Mr. Elswick called the meeting to order at 9:00 am. Introduced Meghan Coates to begin the meeting.

**1. FY2020 Budget/CIP Update:** Meghan Coates, Director of Budget & Management

- Ms. Coates first introduced the Citizen Budget Advisory Committee members in attendance and asked them to the table to review items they have been working on.
- Chairman, Mr. John Hilliard introduced the members and asked them to speak to their area of expertise within the 3 areas they have been focusing on:
  - Public Schools and Education
  - Public Safety
  - Tax Relief Programs and Future Referendum
- Mr. Chip Hughey spoke first regarding Public Schools and the committee's support for helping schools to close the \$1.9 million gap; agreed with the major maintenance 2.5% asset replacement for this year; and supports the 3% merit increase as it is critical to attract and retain school employees.
- Mr. Chris Eudailey spoke to Public Safety and recognized the difficulty Police are having hiring and keeping employees and supports the Police Aid and Retention Plan for Patrol Officers. He also talked about the Fire Department and recommends Board work toward more broad use of a 1.3 staffing factor and reducing overtime and mandatory hold over.
- Ms. Leah Mills reported on the tax relief program and need to continue monitoring future funding. She also discussed the future bond referendum and acknowledged the excellent policies the county has in place and continue to maintain and sustain the very important bond rating.

- Ms. Haley thanked the committee for the work they have done and asked if they have considered looking into a meals tax proposal as a way of bringing in new revenue. Mr. Hilliard agreed that was an option and the committee would agree to discuss over the next few months. Ms. Haley agreed and noted that it would be a good idea to put the referendum out to the citizens again, but to make sure to explain how the funds would be designated and that there could be a sunset provision.
- Mr. Hilliard asked for questions or requests from the Board. Mr. Carmody responded to Ms. Haley's question regarding the project his team is working on confirming there are all types of demographic information that should be helpful going forward in analyzing the tax relief program and other areas of concern.
- A discussion pursued started by Dr. Casey regarding a citizen's inquiry about the process of how the county determines the allocation of new monies. Dr. Casey spoke to the business cases departments have to develop and present to the board to consider increases in their annual budget. Dr. Casey also thought it was important that CBAC review the county's commitments to and structures of regional entities (i.e. Riverside Regional Jail). He also suggested the Committee meet with their school counterparts to compare how they allocate new monies.
- Mr. Elswick thanked the committee for being aligned with the Board's focus and for the hard work they do. He invited the individual committee members to briefly state their background for the new Chairwoman, Leslie Haley and the audience to understand the wide breadth of valuable expertise the members bring to the committee.
- Ms. Coates reviewed the ***Proposed Changes to the FY20 budget for Adoption handout\****. She went over the eight items on the list which are changes to the March 13 proposal. There has been some discussion on schools over the past month, to which Ms. Coates explained that Budget believes there is a way to bridge the \$1.9 million gap in the school board's approved budget.
- In response to Mr. Elswick's comments on state funding, Dr. Casey noted that increases require a local cost share; and quoted percentages are calculated over two years (i.e. biennium) versus annual basis.
- Mr. Harris, DCA of Finance and Administration, filled in more information regarding the addition of a Magnolia Green Elementary School to the CIP. The debt model assumed a project in FY21, there was just one yet named in the school plan. Design funding in FY20 is available from funding the County had set aside for an expanded gym at Harrowgate Elementary School, which can now be accommodated within the project's existing budget. Dr. Casey clarified the County's companion funding to the replacement schools is still in place for the outer years of the plan and confirmed to Ms. Haley that in addition this should not cause any delays to existing and, ongoing projects. Ms. Coates said they would have the final FY19 year-end projections in mid-May and would update in the June AFC meeting.

2. **Internal Audit: Greg Akers, Director of Internal Audit, Steve Sanderson Audit Manager, Internal Audit**

- Mr. Akers noted full reports are provided to all Board members as issued and posted to Internal Audit's [web page](#). Since Schools have their own AFC, we anticipate discussing County-focused reports here as listed on today's agenda, with School-focused reports at future School AFC meetings. Mr. Akers added our first couple of reports cover technical evaluation of financial statements from organizations requesting or receiving funding through the County and introduced Mr. Sanderson who covered report highlights for:
  - [Community Organizations Applying for FY20 Donations](#), which focused on applicants (to Budget and Management) requesting \$25,000 or more for the FY20 budget cycle. Majority received unmodified "clean" CPA opinion, with most frequent concern noted being concentration risk disclosures for 7 applicants. Not unusual for not-for-profits to be dependent on a limited number of donors, but something to be aware of.
  - [CDBG & HOME Organizations and FY20 Applicants](#) is similar with prior report, except these are managed through Community Enhancement. Majority received unmodified "clean" CPA opinion (12 entities), with most frequent concern noted being concentration risk disclosures for 5 applicants.
  - [MHSS, Medicaid – Day Support Program](#) tested monthly Day Program billings submitted to the State. Recommendations included improving reconciliations to ensure billing completeness and accuracy, plus evaluating potential system upgrade or replacement to minimize manual claim processes.
  - [Planning Proffers and Conditions](#) tested cash and/or other agreed-upon conditions established for zoning case approval by the Board of Supervisors. Also evaluated project status for ELM which is intended to replace multiple existing dated Community Development systems. Recommendations include develop and strengthen procedures for systems training and maintenance, user access controls, data transfer verification, and condition review documentation.
- Mr. Sanderson thanked staff from audited departments for attending today's meeting, and briefly reviewed the *Internal Audit Project Status and Hotline Activity Update handout\**.

2. **Next Meeting Topics: Allan Carmody, Finance Director**

- Mr. Carmody shared the *DRAFT Audit and Finance Work Plan handout\** and reviewed the scheduled joint meeting dates and noting other dates can be added as needed.
- Mr. Elswick adjourned the meeting at 9:58 am.

**\*All March 29, 2019 meeting handout materials noted above are available on Chesterfield.Gov [Audit and Finance Committee](#) webpage.**

# AFC MEETING MATERIALS 03-29-19

**Audit and Finance  
Committee of the Board  
Of Supervisors**

**Date: March 29, 2019  
Time: 9:00 am  
Location: Room 502**

Item	Person Responsible	Materials
<b>County Items</b>		
1. FY20 Budget/CIO Update	Meghan Coates	<a href="#">FY20 Budget Proposed Changes</a>
2. Internal Audit: <ul style="list-style-type: none"> <li>a. Periodic Reports:               <ul style="list-style-type: none"> <li>i. Community Organizations Applying for FY20 Donations</li> <li>ii. CDBG &amp; HOME Organizations and FY20 Applicants</li> <li>iii. MHSS, Medicaid - Day Support Program</li> <li>iv. Planning Proffers and Conditions</li> </ul> </li> <li>b. FY2019 Audit Plan and Hotline Activity Update.</li> </ul>	Greg Akers	<a href="#">IA FY19 Project Status Update</a>  <a href="#">FY19 Hotline Activity Update</a>
3. Next Meeting	Allan Carmody	<a href="#">DRAFT AFC Work Plan</a>
<b>Joint Items</b>		
<b>N/A</b>		

**Proposed Changes to the FY20 Budget for Adoption**  
**Audit and Finance Committee**  
 March 29, 2019

**Summary of Feedback from Community Meetings:**

- Schools: Addressing the base funding gap, support for major maintenance
- Public Safety: Continuing to support first responders, ensuring continuity of services
- Revitalization: Invest in older areas, implementing the special area plans
- Senior Services: Tax Relief for the Elderly, access to services and programs
- Environmental Engineering: drainage concerns in neighborhood, parks
- Transportation: Focus on continued road improvements
- Economic Development: ensuring resources and programs are in place to keep, attract business
- Unmet needs – both schools and county, funding sources

**Discussion/Questions Regarding Changes to the March 13 Proposal:**

Department	PCNs	Item	FY20 Revenue	FY20 Expense
Sheriff	2	2 civilian warrant specialists	\$93,800	\$93,800
<i>Note: will allow two sworn positions to be redeployed to jail/court assignments</i>				
Environmental Eng.	1	Water quality compliance specialist	\$30,000	\$113,000
<i>Note: coordination of major maintenance dredging operations, respond to resident concerns related to stormwater</i>				
Registrar	1	Early voting coordinator	\$0	\$53,600
<i>Note: changes to state regulations on early voting necessitate ongoing coordination of the early voting process</i>				
Commonwealth's Atty	2	2 paralegals	\$115,300	\$115,300
<i>Note: related to a local agreement on staffing standards for the office in lieu of new state standards</i>				
Health	0	Increased local share of service costs	\$0	\$50,000
<i>Note: state budget still under development but additional costs are anticipated related to health department personnel and contract costs; representative of the county's 45% match requirement for the annual increase</i>				
Mental Health	1	Use of reserves to fund technology project	\$800,000	\$800,000
<i>Note: EHR project in the proposed CIP, technical adjustment to show the use of reserves and transfer from the mental health fund. Additionally, the position count increase was underrepresented by 1; no change to the fund total for the PCN.</i>				
Schools Operating	0	Addressing gap from state budget process	\$0	\$1,900,000
<i>Note: Multiple local options to accommodate base budget, as approved by the School Board; final determination once state budget is adopted.</i>				
Schools Capital	Amend CIP to add Magnolia Green Elementary School (Design - \$2M, FY20; Construction - \$34M, FY21)			
<i>Note: \$2M in design funding can be accommodated through reprioritization of County CIP funding that was planned to assist with expanding the gym at Harrowgate ES – based on bids the gym expansion can be accommodated within the existing project budget. Construction funding of \$34M programmed in FY21 does not impact anything else in the existing plan. Additional debt service (approximately \$600,000) and operating funding for the facility will be programmed in FY22/23 in the five-year plan.</i>				

**Beginning Contingency Balance: \$2,197,000**

**Ending Contingency Balance: \$110,400**

# *Chesterfield County, Virginia*

## *Internal Audit FY19 Project Status Update*

### **Completed:**

- ***CDBG & HOME Applicants<sup>1</sup>***
- ***Community Organizations Applying for FY20 Donations<sup>1</sup>***
- External Audit support
- FY18 Audit Follow-up
- Fraud, Waste, and Abuse Hotline Program, FY18 Report
- Internal Audit FY18 Report Card
- ***MHSS, Medicaid<sup>1</sup>***
- ***Planning, Proffers and Conditions Tracking<sup>1,2</sup>***
- Police, Animal Services
- Sheriff, Jail Canteen & Inmate Trust Fund
- Schools, FY18 School Activity Funds
- Schools, Custodial Services
- Schools, Food Service/Vendors
- ***Schools, Temporary Work Assignments<sup>1</sup>***

*Note 1 – 3.29.19 AFC Meeting*

### **In Progress:**

- Accounting, Enterprise System Security<sup>2</sup>
- Accounting, Revenue Collection Points
- Accounting, Quarterly Expenditure Analysis
- ***ARWA Special Project<sup>3</sup>***
- CDBG Program Compliance
- County/School Special Projects
- Financial Statement Review
  - APA FY18 Comparative Report Analysis
  - Volunteer Fire & Rescue Organizations
- HR, Benefits Administration
- ***Real Estate Assessor, Assessment Processes & Systems and Expenditures<sup>2,4</sup>***
- Schools, School IT Risk Assessment<sup>2</sup>
- Schools, Payroll, HR Classification and Compensation
- Transportation, GRTC Billing Special Project
- Treasurer Tax Billing, Payment Procedures and Balances<sup>2</sup>

*Note 3 – Draft report issued 3.14.19*

*Note 4 – Draft report issued 3.20.19*

### **Remaining:**

- County Wide Affiliated Entities/ERM
- Economic Development, Revitalization
- Emergency Communications Center, Training, Operations, and Expenditures<sup>2</sup>
- IST, Application Security Controls<sup>2</sup>
- General Services, Security Program
- Peer Review (other organization participation)
- Parks & Recreation, Concessions Stands Leases and Leases (Softball, etc.)
- Police, Training
- Risk Management, Claims Administration and Workers Compensation
- Social Services, General Relief
- Utilities, Customer Information System<sup>2</sup>

*Note 2 – Denotes IT Focused Projects*

***Chesterfield County, Virginia***  
***Internal Audit FY19 Hotline Status Update***

**ALLEGATIONS RECEIVED FY19**

There have been 14 allegations received through March 29, 2019, and 3 allegations carried over from Fiscal Year 2018. The annual Hotline Program Fiscal Year report provides additional information on activity.

	December 7	Activity Since Prior Update		March 29
		New	Completed	
Investigations	3	-	1	4
Referrals	4	-	2	6
Open/Pending Items	6	4	(3)	7
<b>Total</b>	<b>13</b>	<b>4</b>	<b>-</b>	<b>17</b>

**INVESTIGATION(S) SUMMARY FY19**

There have been 3 completed investigation previously reported to the Audit and Finance Committee in Fiscal Year 2019. Investigation(s) completed this period:

Department	Allegation (Source)	Allegation Substantiated (Yes/No)	Summary Result
Mental Health Support Services (MHSS)	Manager ethics violation; Employee time abuse (management)	No	Allegations were not substantiated. However, the manager's unprofessional and inappropriate communication was reported to Human Resources and MHSS Management for appropriate corrective/disciplinary action.

## **DRAFT Audit and Finance Work Plan**

*This schedule highlights recurring items that would form the basis of a general calendar moving forward.  
Joint sessions can be added as appropriate topics emerge.*

<b>March 29th</b>	Budget Update; Internal Audit Reports (as available)
<b>April</b>	County topics if needed
<b>May</b>	County topics
<b>June 14, 2:30</b>	<ol style="list-style-type: none"> <li>1. External Audit Pre-Audit Overview</li> <li>2. Year-end Projections (County and Schools)</li> <li>3. Internal Audit Annual Work Plan/Reports (as available)</li> <li>4. Health Insurance Rates/Update</li> </ol>
<b>July</b>	County topics
<b>August</b>	County topics if needed
<b>September 20, 2:00</b>	<ol style="list-style-type: none"> <li>1. Budget/CIP Process Kick-off/Preview (County and Schools)</li> <li>2. Major Maintenance Update (County and Schools; annual update)</li> <li>3. Internal Audit Reports (as available)</li> </ol>
<b>October</b>	County topics if needed
<b>November 8, 2:30</b>	OPTIONAL JOINT SESSION - External Audit Report Out
<b>December 20, 9:00</b>	<ol style="list-style-type: none"> <li>1. Proposed CIP Preview (County and Schools)</li> <li>2. (mid-year) Year-end Projections (County and Schools)</li> <li>3. SRP Annual Update</li> <li>4. Internal Audit Reports (as available)</li> </ol>
<b>January</b>	County topics if needed
<b>February</b>	<ol style="list-style-type: none"> <li>1. School Operating Budget/CIP Overview</li> <li>2. Internal Audits Report (as available)</li> </ol>