Audit and Finance Committee (AFC) Meeting Notes  
June 1, 2020 2:00 pm

**AFC Members in Attendance:**  
County: Mr. Jim Holland, Mr. Chris Winslow  
Schools: Ms. Debbie Bailey, Ms. Dorothy Heffron

**Staff in Attendance:**  
Donna Arrington, Dr. Joe Casey, Dr. Merv Daugherty, Khara Durden, Matt Harris, Mary Martin-Selby, Andrea Peeks, Steve Sanderson, Natalie Spillman, Dr. Thomas Taylor, and Robert Meister.

**Call to Order:** Mr. Holland called the meeting to order at 2:00 pm and asked all attendees to join him in a moment of silence for the events occurring across the country.

At the request of Mr. Matt Harris, DCA Finance and Administration, the Board members agreed to amend the agenda order to accommodate the two guest speakers, Mr. Rob Churchman from Cherry Bekaert and Ms. Claire Harlin of USI.

1. **External Audit Kick-Off:** Mr. Rob Churchman, Engagement Partner Cherry Bekaert  
   - Mr. Harris introduced Mr. Rob Churchman, Engagement Partner, Government Services Group for Cherry Bekaert to deliver his annual required communications. Mr. Churchman reviewed *Presentation to the AFC of the County of Chesterfield, VA Power Point*.
   - Mr. Holland asked Mr. Churchman to speak to the reliance on Internal Audit reporting and reports regarding the External Audit report. Mr. Churchman reviewed the multiple ways the two teams assist each other throughout the year, including new information Internal Audit finds in their reports that expands the External Auditors understanding.

2. **Review of Healthcare Renewals:** Ms. Mary Martin Selby, Director of Human Resources  
   - Ms. Martin Selby introduced the topic and explained these are preliminary projections to the annual report that will be presented to the Boards in August.
   - Ms. Martin Selby acknowledged and thanked County and Schools HR, Budget, Finance and General Accounting for their collaborative efforts. She introduced the USI Insurance Broker, Claire Harlin, CEBS.
   - Ms. Harlin reviewed the *2021 Health/Dental Renewal Preliminary Review handout*.
   - Ms. Harlin confirmed for Mr. Holland that this year’s increase is 4.47 compared to 4.6 last year and discussed negotiation options for the last year of the Anthem contract.
   - Mr. Holland implored the Joint Benefits Committee to continue to look for ways for county and school employees to save money, to which Ms. Martin Selby assured him they were actively undertaking.
   - Ms. Harlin responded to Mr. Winslow’s question regarding Dental Benefits and acknowledged that only one third of employees enrolled in the benefit, use it. Mr. Winslow also acknowledged the 10.6% of allowed claims paid by county/schools’
employees being low compared to other jurisdictions claims paid percentages as high as 15%.

- Mr. Harris acknowledged the questions from the Board and reminded them they will continue to ask for their feedback on any additional options to decrease costs before both the School and County Board meetings in August.

3. **Year End Review County and Schools: Ms. Andrea Peeks, Budget Director and Mr. Robert Meister, CFO Schools**
   - Mr. Harris introduced the high-level preview of year-end. There will be more concrete information available for the June Board meeting. He introduced Ms. Andrea Peeks, Budget Director for the County.
   - Ms. Peeks summarized the county year-end review. The significant impact of the pandemic was managed by the County through immediate actions that include:
     - Reforecasting revenues
     - Curtailing spending, to include freezes on all discretionary spending and hiring of non-essential positions
   - Based on the County departments’ collaboration with these efforts, Ms. Peeks is confident the County will end FY20 in the black, although it will be by a slim margin. As such, Ms. Peeks recommended that any remaining balances at year-end be deposited to the revenue stabilization fund, in lieu of any specific designations. Ms. Peeks asked the Board if they had other preferences for assignment of year end reserves.
   - Mr. Holland yielded to Mr. Winslow or school officials.
   - Mr. Harris added in normal circumstances there would be more reserves to work with, but reserves this year, if any, will likely amount to around half a percent, and as such, he recommends that the Board set these aside for revenue stabilization purposes. Mr. Winslow responded that some adjustments had been made to the budget in the last Board of Supervisors (BOS) meeting and would listen to other needs if they arise, but agrees it is preferable to put reserves aside for future years if possible.
   - Mr. Harris introduced Mr. Robert Meister, CFO of Schools. Mr. Meister reviewed school year-end revenue projections; namely that sales tax revenue remains uncertain, along with State Lottery funding. He spoke about the understandable hold-back of $6 million from the County and increase in unemployment claims due to furloughed employees that add additional uncertainty. However, despite these variables, he believes making the right moves with expenditures will allow Schools to end up in the black; and is preparing more specific figures for the School Board meeting on June 9th, that will also be incorporated into the County’s year-end presentation to the Board at its June 24th meeting.
   - Mr. Meister agreed with Mr. Holland’s advice to look at June revenue receipts for a good forecast, as these will show the full impact of the shutdown due to these being reflective of April activity.
• Mr. Winslow inquired about the following areas:
  o Third party custodial contract: Mr. Meister confirmed they resumed services today.
  o Anticipation of people being in schools this summer: Dr. Daugherty confirmed they are following County guidelines as well as VA Governor Phase II guidelines and preparing for schools to begin.
  o Status of Bus Drivers: Mr. Josh Davis, Chief Operations Officer, replied that approximately twenty bus drivers are participating in the food distribution efforts. All bus drivers are being paid through the remainder of the fiscal year.

4. **Update on CARES Funding: Mr. Matt Harris, DCA Finance and Administration**
   • Mr. Harris gave a brief update on the $30.8 million in federal CARES Act funding and the guidance the County is receiving on eligible uses of the funds. As of the time of this meeting, the County plans to use up to $5 million to assist local business recovery; additionally, while some of the funds will be used to reimburse for eligible FY20 expenses, the majority will remain available for use during FY21. Mr. Harris will bring recommendations back to the full board at a future date.
   • Mr. Holland asked Mr. Harris to look at additional costs Schools would incur if they reopen. Mr. Harris acknowledged that they are looking at those opportunities; however, current guidance regarding eligible expenses for CARES Act funding does not detail many opportunities Schools-related expenditures, although the County will continue to work through the available information.
   • Mr. Winslow requested a brief memo with a list of the opportunities towards which CARES Act for schools. Mr. Harris responded that their current focus is to identify all the eligible expenses to June 30th; and then use an established team to look for those opportunities.

5. **Internal Audit:** Khara Durden, Director, and Steve Sanderson, Assistant Director
   a) Proposed FY21 Audit Plan: Ms. Durden noted that a Draft of the Internal Audit Proposed FY21 Audit Plan* was provided by a May 15th email to the AFC’s Board Members. Ms. Durden reviewed the draft and noted that 35% of the projects planned are annually occurring projects and the Fraud, Waste, and Abuse (FWA) hotline; 25% are projects that are in progress or remain to be started from FY20. Ms. Durden discussed the change in audit hours available due to current vacancies; and noted they do have plans for other audits to add to the plan if the vacancies are filled. Ms. Durden explained that the “S’s” added in the right margin indicated School specific audits, and the “C’s” were combined county and school projects. 30% of Internal Audits are done for Schools and 70% for County.
   i) Mr. Holland requested that future reports have a side by side comparison of the current and projected year plans.
ii) Mr. Holland called for approval. Mr. Winslow asked if there were any questions and seconded the approval. Ms. Durden introduced Mr. Steve Sanderson, Assistant Director of Internal Audit to discuss the FY20 Audit Plan and Hotline Activity Update.

b) FY20 Audit Plan and Hotline Activity Update: Mr. Sanderson reviewed Internal Audit FY20 Project Status Update* and Hotline Status Update* handouts, briefly noting recently issued reports and activity. He also explained the superscript 1 was to denote the audits on the proposed FY21 audit plan; and the superscript 2 denotes per GAGAS rules approved on May 14th via email from Dr. Casey and Dr. Daugherty to remove the audits from the FY20 Audit Plan.

i) Mr. Holland pointed out the importance of the Hotline Status Update, as those areas could contain significant risk, and gives us an opportunity to look at current employees training needs, as well as knowledge of current policies.

ii) Mr. Holland circled back to page 3 of Proposed Audit Plan and asked for clarification on Note A regarding Constitutional Officers. Dr. Casey clarified the line between a performance audit and a state standard audit of a Constitutional office and what External and Internal Auditors can do. i.e. auditors can help ensure that the accounts receivables are correct; but cannot audit how well the funds were collected—which would be considered a performance audit.

6 Presentation of Community Facilities and Infrastructure Website/Update on Forecasting Tool: Mr. Matt Harris, DCA of Finance and Administration introduced Natalie Spillman, Marketing and Engagement Strategist to explain the recently launched Community Facilities and Infrastructure Website and give an update on the Forecasting Tool.

- Ms. Spillman asked that attendees take some time to review the new website and how it will assist in communicating to the public how a Capital Project Budget is funded and other items like the School Enrollment & Capacity Tool which was created through a great collaborative effort between county and schools. Ms. Spillman thanked Mr. Josh Davis, COO of Schools for his assistance.

- Ms. Spillman responded to Mr. Holland and Mr. Winslow’s questions regarding the functionality of the Capacity enrollment tool currently based on historical data only; and reiterated that the forecasting tool is currently being developed and will be updated often and provide timely results.

- Mr. Harris responded to Ms. Bailey’s question regarding when the forecasting tool will be available with a summary of where they are at with the development and the work still required before it can be used as a projection tool. Discussion continued regarding current uses of the website for planning and multiple other uses.
Mr. Winslow thanked all contributors present at today’s meeting. Mr. Harris informed attendees the joint portion of the meeting was concluded, and that Ms. Durden would remain to discuss the Internal Audit Periodic Reports. Ms. Durden asked the AFC School Board members if they also gave approval for the Proposed FY21 Audit Plan. Mr. Thomas Taylor responded the approval was on the consent agenda for the June 9th School Board meeting.

7 Internal Audit:
   a) Periodic Reports:
      i. Airport Special Project, February 28, 2020
      ii. Police Training (Redacted), March 11, 2020
      iii. FY19 Revenue Collection Points, March 12, 2020
      iv. Volunteer Fire and Rescue Organizations Audit Reports Submitted in CY19, April 1, 2020
      v. FY20 Audit Follow-Up Report, April 6, 2020
      vi. CDBG & HOME Organizations and FY21 Applicants, April 8, 2020

- Ms. Durden reviewed the Audit and Finance Committee Periodic Report Review* summarizes reports listed above.
- Mr. Holland thanked Ms. Durden and Internal Audit for the great Airport Audit and reiterated the importance of having a fully staffed audit department to produce audits of this quality.
- Ms. Durden responded to Mr. Holland’s questions regarding the process for the Revenue Points Collection audit and told him we are now looking at other things besides expenditures.

The meeting was adjourned by Mr. Holland at 4:26 pm

*All June 1, 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

<table>
<thead>
<tr>
<th>Item</th>
<th>Person Responsible</th>
<th>Materials</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Joint Items</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. FY2020 External Audit Required Communications</td>
<td>Donna Arrington/Rob Churchman</td>
<td>Cherry Bekaert Presentation</td>
</tr>
<tr>
<td>2. Employee Healthcare Benefits</td>
<td>Mary Martin-Selby</td>
<td>FY21 Employee Healthcare Preliminary Review</td>
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<tr>
<td>3. Year End Review County and Schools</td>
<td>Andrea Peeks/Rob Meister</td>
<td>No presentation materials</td>
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<tr>
<td>4. Update on CARES Funding</td>
<td>Matt Harris</td>
<td>No presentation materials</td>
</tr>
<tr>
<td>5. Internal Audit:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Proposed FY21 Audit Plan approval</td>
<td>Khara Durden / Steve Sanderson</td>
<td>Proposed FY21 Audit Plan FY20 Project and Hotline Update</td>
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<tr>
<td>b. FY20 Project Status and Hotline Updates</td>
<td></td>
<td></td>
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<tr>
<td>6. Community Facilities and Infrastructure Website/Update</td>
<td>Natalie Spillman</td>
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</tbody>
</table>

| County Items | | |
| 7. Internal Audit: | | |
| a. Periodic Reports: | | |
| i. Airport Special Project, February 28, 2020 | Khara Durden | AFC Internal Audit Periodic Report Review |
| ii. Police Training (Redacted), March 11, 2020 | | |
| iii. FY19 Revenue Collection Points, March 12, 2020 | | |
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Presentation to
The Audit and Finance Committee of the County of Chesterfield, Virginia
June 1, 2020

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- Engagement Team
- Auditor’s Responsibility
- Engagement Services
- Audit Planning Considerations:
  - Planned Timing of the Audit
  - Audit Methodology
  - Significant Audit Areas
- New Accounting and Reporting Changes
Engagement Team

Key Engagement Team Members

- **Rob Churchman**, Engagement Partner
- **Krista Edoff**, Concurring Review Partner
- **Rebecca George**, Audit Manager
- **John Gilberto**, Technical Resource Partner
- **Neal Beggan**, IT Audit Principal
- **Brian Kirk**, IT Audit Manager
- **Stephanie Gross**, IT Audit Senior

Audit Staff

Audit Staff
Auditor’s Responsibility

- Generally Accepted Auditing Standards (GAAS)
- Specifications for Audits of Authorities, Boards and Commissions
- Government Auditing Standards (GAS)
- Specifications for Audits of Counties, Cities and Towns
- Title 2 U.S. Code of Federal Regulations Part 200 (Uniform Guidance)
Cherry Bekaert’s Responsibility Under Required Guidance

- Consider internal control to the extent necessary to design an effective and efficient audit approach, not for the purpose of providing assurance on internal control (e.g. GAAS, GAS, UG)
- Perform tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts (e.g. GAS, Commonwealth)
- Perform tests of compliance with the types of compliance requirements which could have a direct and material effect on the County’s major Federal financial assistance programs (e.g. UG)
- Design and implement audit procedures based on our understanding of the County to gain reasonable, not absolute, assurance as to the absence of material misstatements in the financial statements (e.g. GAAS)
- Opine on the financial statements based on our audit (e.g. GAAS)

Level of assurance we will provide:

- Financial Statements
  - Full opinion on the basic financial statements and related footnotes
  - In-relation-to opinion on the Supplemental Information schedules
  - No opinion on the Management’s Discussion and Analysis and other Required Supplementary Information
  - No opinion on the Introductory and Statistical Sections
  - Under GAS, limited assurance over compliance and internal controls
- Federal activity
  - Full opinion on the County’s material compliance of each major federal program
  - Limited assurance on the operation of major federal programs’ internal controls
- Virginia Compliance – limited assurance over compliance
County’s Responsibility

- **County Management**
  - Fair presentation of the financial statements, including disclosures, in conformity with U.S. GAAP, and the design, implementation, and maintenance of financial reporting internal controls
  - Compliance with all related laws and regulations

- **Audit Committee**
  - Oversight of the financial reporting process
  - Oversight of the creation and operation by County management of policies and controls designed to prevent, deter, and detect fraud

- **Both**
  - Setting the proper tone at top - creating and maintaining a culture of high ethical standards
  - Ensuring that the County’s operations are conducted in accordance with the provisions of laws and regulations
Engagement Services

Audit of the financial statements as of and for the fiscal year ended June 30, 2020:
- County, including the Schools and Student Activity Funds
- Economic Development Authority of the County of Chesterfield
- Watkins Centre Community Development Authority
- Chippenham Place Community Development Authority

Audit of the County’s major federal programs required by the Uniform Guidance

Audit of the compliance with the Auditor of Public Accounts (APA)
- Specifications for Audits of Counties, Cities and Towns (Specifications)
- Specifications for Audits of Authorities, Boards, and Commissions (Specifications)

Procedures required by the Commonwealth related to:
- Comparative Report Transmittal Forms (Uniform Financial Reporting Manual)
- Sheriff Office’s internal control (Virginia Sheriff’s Accounting Manual)
- Compliance with the Financial Assurance Regulations of Solid Waste Disposal Facilities
- Virginia Retirement System census data testing

* Note: Internal Audit will assist our team in the performance of this work

Audit Planning Considerations
Adherence to Your Timeline

Planning: May
Internal Controls and Risk Assessments, Interim Fieldwork: May - July

Final Fieldwork: August - October
Review of Draft Reports with Management: September and October

Issuance of Reports: September and October

Audit Methodology

Cherry Bekaert utilizes a top-down, risk based, integrated audit approach delivered in three phases:

Plan
• Perform risk assessment procedures to determine the significant audit areas and reporting and compliance requirements

Execute
• Select and perform appropriate substantive and analytical procedures, including tests of internal controls, where appropriate

Complete
• Evaluate results, communicate with management, and issue the required reports
Audit Methodology – Single Audit

Cherry Bekaert employs an efficient, effective, compliant and time-tested Single Audit process based on three phases:

**Plan**
- Identify major federal grant programs and their respective compliance requirements based upon a risk-based analysis

**Execute**
- Test internal controls over general and grant specific requirements
- Test for conformance with compliance requirements (e.g., allowable costs, reporting)

**Complete**
- Summarize audit results, report any compliance and/or internal control finding(s) to management and assist in preparation of corrective action plan(s)
- Prepare required reports and the Schedule of Findings and Questioned Costs

Audit Methodology - IT

- Cherry Bekaert specialists are fully integrated members of our audit team purposed with assessing the County’s information technology environment and its impact on the audit procedures and financial statement reports
- We will evaluate the impact of key automated controls and systems utilized within the financial reporting process such as:
  - Entity-wide security program planning and management controls
  - Access controls
  - System development and program change controls
  - System software controls
  - Segregation-of-duty controls
  - Service continuity controls
Based on our preliminary risk assessment, we have identified the following significant audit areas and our audit test work will include the following example procedures:

**Revenues and Receivables:**
- Update our understanding of controls in place and test accordingly
- Recalculate property taxes, confirm balances with grantors and analytically test revenues (e.g., budget vs. actual)
- Test the collectability of receivables and revenue cut-off

**Payroll and Related Liabilities:**
- Update our understanding of controls in place and test accordingly
- Analytically test payroll expense and related liabilities
- Test underlying data utilized in actuarial calculations and review actuarial assumptions

**Self-insurance Liabilities:**
- Update our understanding of controls in place and test accordingly
- Test underlying data utilized in actuarial calculations and review actuarial assumptions
- Analytically review cost trends
## Significant Audit Areas (continued)

### Cash and Investments:
- Update our understanding of controls in place and test accordingly
- Confirm selected balances with external parties and review related reconciliations

### Single Audit and APA Compliance:
- Test internal controls over major program operation
- Test compliance with applicable compliance requirements (e.g., allowable costs.)
- Current known programs – Title 1, Medical Assistance, Highway Planning

### Financial Reporting:
- Review journal entries to ensure Net Position and Fund Balance are properly presented
- Review account groupings and disclosures for the financial statements
- Review new GASB requirements for applicability and proper implementation

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### New Accounting and Reporting Changes

Key New Accounting and Reporting Changes

GASB statements effective for FY 2021

- GASB Statement No. 84 – Fiduciary Activities
  - Establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on:
    - (1) whether a government is controlling the assets of the fiduciary activity, and
    - (2) the beneficiaries with whom a fiduciary relationship exists.
  - Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activity

GASB statements effective for FY 2022:

- GASB Statement No. 87 – Leases
  - Establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset
  - Requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract

Your Guide Forward

Rob Churchman
Partner
804.673.5733
rchurchman@cbh.com

Rebecca George
Manager
804.673.5751
rgeorge@cbh.com
CHESTERFIELD COUNTY AND CHESTERFIELD COUNTY PUBLIC SCHOOLS

2021 HEALTH/ DENTAL RENEWAL
PRELIMINARY REVIEW

June 1, 2020
Claire H. Harlin, C EBS

www.usi.com
Executive Summary

- **Anthem 2021 Medical/Prescription Drug Plan**
  - USI’s preliminary projection recommends a 4.47% increase to current budget rates for the plan year beginning January 1, 2021.
    - This increase is based on claims paid May 1, 2019 – April 30, 2020 and current enrollment of 10,790 employees.
    - Projected expense includes expected claims, fixed fees, the C-Fit program, HSA contributions, formulary drug rebates, and includes margin for claim fluctuations, plan reserve funding, and the uncertainty of the impact of COVID-19 on the plan.
  - Calendar year 2021 is the final year of the Anthem health care contract.
  - The following pages will highlight the following:
    - How the proposed increase will impact rates that employees and Chesterfield pay for insurance
    - How Chesterfield compares to surrounding localities and the State plan
    - Reasons for the increase
### 2021 Health Plan Preliminary Review

**Preliminary Monthly Contribution Scenario - 4.47% increase**

#### COUNTY

<table>
<thead>
<tr>
<th>POS</th>
<th>2020 Monthly Rates</th>
<th>2021 Monthly Rates @4.47% Increase</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Enrollment</strong></td>
<td><strong>Total</strong></td>
<td><strong>County</strong></td>
<td><strong>Employee</strong></td>
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<tr>
<td>Employee</td>
<td>1867</td>
<td>$679.00</td>
<td>$609.00</td>
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<tr>
<td>EE + Child</td>
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<td>$1,088.00</td>
<td>$774.00</td>
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<tr>
<td>EE + Children</td>
<td>215</td>
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<td>$850.00</td>
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<tr>
<td>EE + Spouse</td>
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<td>Family</td>
<td>409</td>
<td>$2,006.00</td>
<td>$1,290.00</td>
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#### SCHOOLS

<table>
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<tr>
<th>POS</th>
<th>2020 Monthly Rates</th>
<th>2021 Monthly Rates @4.47% Increase</th>
<th>Change</th>
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<tbody>
<tr>
<td><strong>Enrollment</strong></td>
<td><strong>Total</strong></td>
<td><strong>Schools</strong></td>
<td><strong>Employee</strong></td>
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<tr>
<td>Employee</td>
<td>3082</td>
<td>$37,055,052</td>
<td>$27,930,252</td>
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<tr>
<td>EE + Child</td>
<td>3082</td>
<td>$37,055,052</td>
<td>$27,930,252</td>
</tr>
<tr>
<td>EE + Children</td>
<td>3082</td>
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<tr>
<td>Family</td>
<td>3082</td>
<td>$37,055,052</td>
<td>$27,930,252</td>
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#### Additional Information

- **POS Enrollment Total**
- **County Employee Total**
- **Schools Employee Total**
- **Total County/Schools Employee Total**
- **% Change**

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<thead>
<tr>
<th>Category</th>
<th>2020 Total</th>
<th>County/Schools</th>
<th>Employee</th>
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<tr>
<td>Grand Total</td>
<td>$128,262,996</td>
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<td>$3,150,360</td>
<td>$1,253,532</td>
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<tr>
<td>% Change</td>
<td>4.5%</td>
<td>4.5%</td>
<td>4.4%</td>
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**Summary**

- Preliminary monthly contribution scenario is 4.47% increase.
- Health plan rates for 2021 are compared to 2020 rates.
- Rates are calculated for various employee categories including Employee, EE + Child, EE + Children, EE + Spouse, and Family.
- Additional dollar figures are provided for comparison.

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2021 Health Plan Preliminary Review
**2021 Health Plan Preliminary Review**

*USI Insurance Services*

**Comparison of 2020 Central Virginia Localities - Employee Only Monthly Rate**

Graph reflects the rates for the locality’s most popular plan.

* Commonwealth of Virginia’s least costly plan. Includes dental, too.
2021 Health Plan Preliminary Review

USI Insurance Services
Comparison of 2020 Central Virginia Localities - Monthly Family Rate

Graph reflects the rates for the locality's most popular plan.
* Commonwealth of Virginia's least costly plan. Includes dental, too.
2021 Health Plan Preliminary Review

Anthem 2021 Medical/Prescription Drug Renewal

- The recommended renewal increase for the 2021 calendar year based on preliminary projections is 4.47%. This increase will fund expected claims, fixed fees, the C-Fit program, HSA contributions, formulary drug rebates, and includes margin for claim fluctuations, plan reserve funding, and the uncertainty of the impact of COVID-19 on the plan.

- The increase assumes no plan design changes.

- Total projected expense for calendar year 2021 is $134.0 million compared to $130.7 million for calendar year 2020.

- Claims paid during the renewal review period ending April 30, 2020 increased 0.3% per employee per year compared to the last renewal period. The increase is better than national and regional increases and reflects the relative stability of the plan.

- The monthly administrative expense is increasing 2.4%. This is the first increase in fees during the five-year contract. Administrative expense includes the cost for Anthem to adjudicate claims, manage their provider networks, and to provide care management services to members with chronic and/or catastrophic medical conditions.
2021 Health Plan Preliminary Review

- Chesterfield self-insures the group health plan. To protect against the impact of risk of unpredictable, adverse claims, reinsurance is purchased. Specific stop loss reinsurance caps Chesterfield’s claim liability on an individual at $300,000 each plan year.
- The specific stop loss fee for 2021 is increasing 34.2% from $38.70 to $51.93 per employee per month. This increase is on top of a significant increase of 38.6% last year. The increase is due to continued adverse catastrophic claims experience.
  - Chesterfield had 21 claims above the $300,000 in the most recent experience period. This is slightly less than the 24 last year but above actuarial expectations of 17. Seventeen of these claims are for individuals who are still active on the plan.

Financial Summary of Specific Stop Loss Reinsurance Coverage

<table>
<thead>
<tr>
<th></th>
<th>CY 2015</th>
<th>CY 2016</th>
<th>CY 2017</th>
<th>CY 2018</th>
<th>CY2019</th>
<th>5-Year Total</th>
<th>CY 2020 YTD</th>
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<td>SSL Limit</td>
<td>$200K</td>
<td>$200K</td>
<td>$300K</td>
<td>$300K</td>
<td>$300K</td>
<td>$300K</td>
<td>$380K</td>
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<tr>
<td>SSL (pepm)</td>
<td>$37.65</td>
<td>$39.52</td>
<td>$22.85</td>
<td>$25.10</td>
<td>$27.92</td>
<td>$38.70</td>
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<tr>
<td>Annual SSL Premium</td>
<td>$4,772,891</td>
<td>$4,941,778</td>
<td>$2,853,005</td>
<td>$3,250,046</td>
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<td>$19,563,945</td>
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<td>SSL Credit</td>
<td>$4,421,090</td>
<td>$4,394,995</td>
<td>$3,404,514</td>
<td>$4,898,337</td>
<td>$5,464,178</td>
<td>$22,583,114</td>
<td>$1,554,936</td>
</tr>
<tr>
<td>Loss/(Gain) to Chesterfield</td>
<td>$351,801</td>
<td>$546,783</td>
<td>$(551,509)</td>
<td>$(1,648,291)</td>
<td>$(1,717,953)</td>
<td>$(3,019,169)</td>
<td>$179,332</td>
</tr>
<tr>
<td>Increase to SSL Fee</td>
<td>5.0%</td>
<td>-42.2%</td>
<td>9.8%</td>
<td>11.2%</td>
<td></td>
<td>38.6%</td>
<td></td>
</tr>
</tbody>
</table>

- USI is in negotiations with Anthem to lower the proposed fees and is exploring alternative stop loss limits. Alternatively, Chesterfield can explore the outside reinsurance market to compete with Anthem. An RFP could be released in early 4th quarter. Anthem will increase the administrative fee $2 pepm if reinsurance is carved out.
A 2% margin for claim fluctuation was added to the projection plus an additional 2% margin for plan reserves and the current uncertainty surrounding the impact that COVID-19 will have on the plan.

- USI’s COVID-19 Impact Cost Model indicates a range of outcomes is possible. The best case suggests that deferred and avoided care will have a positive impact on claims of 1.0% while the pessimistic outcome suggests a negative impact of up to $1.5 million.

Anthem is continuing to guarantee prescription drug formulary rebates. The value of the rebates is expected to exceed $5 million.

Projected expense per employee per year for 2021 is $10,566. This compares to projected expense per employee for the 2020 renewal of $10,326 – a 2.3% increase.

Enrollment continues to shift to the HSA. Currently, approximately 24.5% of employees are enrolled in the HSA plan, up from 23% last year. Employees in the HSA are approximately 8% lower in cost than employees in the POS plan.

Anthem’s networks continue to provide value. Chesterfield received network discount savings equal to 68.4% of claims. Almost all (98.5%) claims were with in-network providers. Employees paid 10.6% of allowed claims through deductibles, copays, and coinsurance.
2021 Health Plan Preliminary Review

Strategic Considerations

- Eliminate the dental contribution and use to offset the increase in employee contribution to the medical plan. At a 4.47% increase, the increase in employee contribution is $1.33 million. The value of the employer contribution to the dental program is $1.69 million.

- Evaluate carving out the reinsurance to a third-party reinsurer.

- Evaluate carving out the pharmacy benefit to a Pharmacy Benefit Manager (PBM) during the 2022 RFP.

- Increase enrollment in the HDHP through a strategic communication plan and education effort.
Recent Successes in Chesterfield’s Benefits Programs:

- Three years in a row of renewal increases that are below 5% which is below the national and regional averages.

- Continued growth in the HSA option – almost one in four employees are enrolled in this plan and HSA balances continue to grow.

- Engagement in the C-Fit program continues to grow.

- Employees utilizing the Employee Medical Center (EMC) for wellness visits continues to limit the number of visits employees are making to their Primary Care Physicians which reduces healthcare costs. Employees in the County and Schools have visited the EMC over 10,000 times in the last four fiscal years.
Executive Summary

Dental Plan

- This program is currently out to bid with an award anticipated in July 2020 for a January 1, 2021 effective date. Proposals for both a contributory and a voluntary program were solicited.

  - Chesterfield County and Schools currently contributes $10 per employee per month towards the cost of the dental premiums. The value of this contribution based on current enrollment in the dental plan is $1.69 million.
THANK YOU.
DATE: June 1, 2020

TO: Audit and Finance Committees

Joseph P. Casey, Ph. D.
County Administrator

Mervin B. Daugherty, Ed. D.
Superintendent

FROM: Khara L. Durden CPA, CISA, CFE
Director of Internal Audit

SUBJECT: Internal Audit Proposed FY21 Audit Plan

Policy requires Internal Audit (IA) provide a proposed audit plan for Audit and Finance Committees (AFCs) input and approval. IA uses a risk-based plan to recommend potential audit units and considers prior audit history and input received from the County and School Administration, department heads, and others. Updates are provided to AFCs periodically, and the plan may be amended based on operational needs.

During audit plan development, IA considered coverage by risk level and entity. For FY21, we used our refined auditable unit population integrated with our risk assessment to make plan selections. Included charts compare audit plan coverage for the audit universe.

Although we continue to apply a technology focus for all projects, the FY20 COVID-19 pandemic has elevated new risk areas for Chesterfield County. We are proposing an enterprise project that targets the Enterprise’s disaster management response and plan to incorporate targeted COVID-19 related objectives in other proposed projects. We hope the results will aid the Enterprise’s preparation for future disaster events.

We will present the proposed audit plan for approval at the June 1, 2020 Joint AFC Committee meeting. We thank you for your continued support and value your input for proposed projects.
INTRODUCTION

Mission
The Chesterfield County Internal Audit department provides objective analysis and information to management and those charged with governance to support County and School goals benefiting the community.

About Us
Established September 1978, Internal Audit provides an independent function to conduct performance audits, special projects, and investigate reports of fraud, waste, or abuse. Our quality control system to comply with Government Auditing Standards is evaluated through Triennial Peer Reviews by the Association of Local Government Auditors (ALGA). Our latest peer review, completed October 2017, marks 21 consecutive years of program participation. Internal Audit reports directly to the County Administrator in all county matters and the School Superintendent for all school matters, and to the Governing Bodies through the Audit and Finance Committees.

Team
Khara L. Durden, CPA, CISA, CFE
Steve Sanderson, CIA, CISA, CFE
Vacant
Lora Holland, CPA, CGMA
Christopher Meade, CPA, CGAP
Terry Parker, MBA, CFE
Jim Boudreau, CPA, CFE
Sandra Fuentes
Christian Wingfield
Annette Stinson

Director
Assistant Director
Audit Manager
Senior Auditor
Senior Auditor
Senior Auditor
Staff Auditor
Staff Auditor
Administrative Analyst
Audit Risk

To assess risk, Internal Audit uses the Audit Universe which includes all auditable County and School units segmented into divisions. Figure 1.1 illustrates audit coverage by division. Figures 1.2 and 1.3 (page 4) document Auditable Units by Risk Level and FY21 Audit Plan Projects by Risk Level. See auditable County unit listing (Appendix I, page 7) and auditable School unit listing (Appendix II, page 8).

Figure 1.1 FY21 Audit Plan Coverage by Division

County Audit Universe

<table>
<thead>
<tr>
<th>Division</th>
<th>Auditable Units</th>
<th>Percentage of Units to County Universe</th>
<th>Percentage of Units to Total Universe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Development</td>
<td>9</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>Community Operations A</td>
<td>17</td>
<td>29%</td>
<td>19%</td>
</tr>
<tr>
<td>Management</td>
<td>8</td>
<td>14%</td>
<td>9%</td>
</tr>
<tr>
<td>Entity-Wide</td>
<td>6</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>Finance A</td>
<td>10</td>
<td>17%</td>
<td>11%</td>
</tr>
<tr>
<td>Human Services</td>
<td>6</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>Non-Departmental</td>
<td>3</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>59</strong></td>
<td><strong>100%</strong></td>
<td><strong>67%</strong></td>
</tr>
</tbody>
</table>

Schools Audit Universe

<table>
<thead>
<tr>
<th>Division</th>
<th>Auditable Units</th>
<th>Percentage of Units to Schools Universe</th>
<th>Percentage of Units to Total Universe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business and Finance</td>
<td>3</td>
<td>10%</td>
<td>3%</td>
</tr>
<tr>
<td>Operations</td>
<td>6</td>
<td>21%</td>
<td>7%</td>
</tr>
<tr>
<td>Human Relations</td>
<td>7</td>
<td>24%</td>
<td>8%</td>
</tr>
<tr>
<td>School Leadership and Support Services</td>
<td>7</td>
<td>24%</td>
<td>8%</td>
</tr>
<tr>
<td>Student Learning and Organizational</td>
<td>4</td>
<td>14%</td>
<td>5%</td>
</tr>
<tr>
<td>Development</td>
<td>2</td>
<td>7%</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>29</strong></td>
<td><strong>100%</strong></td>
<td><strong>33%</strong></td>
</tr>
</tbody>
</table>

**County and School Universe Total**  

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>88</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Note A:** Certain County services are provided by Constitutional Officers. These offices have been grouped under Community Operations (Commonwealth’s Attorney, Circuit Court Clerk, and Sheriff) and Finance (Commissioner of Revenue and Treasurer). Auditor access to certain records is subject to Officer authorization.
### Figure 1.2 Auditable Units by Risk Level

<table>
<thead>
<tr>
<th>Risk</th>
<th>County Units</th>
<th>Percentage</th>
<th>Schools Units</th>
<th>Percentage</th>
<th>Combined Units</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>4</td>
<td>7%</td>
<td>High 3</td>
<td>10%</td>
<td>High 7</td>
<td>8%</td>
</tr>
<tr>
<td>Medium</td>
<td>38</td>
<td>64%</td>
<td>Medium 21</td>
<td>73%</td>
<td>Medium 59</td>
<td>67%</td>
</tr>
<tr>
<td>Low</td>
<td>17</td>
<td>29%</td>
<td>Low 5</td>
<td>17%</td>
<td>Low 22</td>
<td>25%</td>
</tr>
<tr>
<td>Total</td>
<td>59</td>
<td>100%</td>
<td>Total 29</td>
<td>100%</td>
<td>Total 88</td>
<td>100%</td>
</tr>
</tbody>
</table>

### Figure 1.3 FY21 Audit Plan by Risk Level

#### County Audit Universe

<table>
<thead>
<tr>
<th>Division</th>
<th>FY21 Audit Plan</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Development</td>
<td>3</td>
<td>-</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Community Operations</td>
<td>4</td>
<td>-</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Entity-wide</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Finance</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Human Services</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Management</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Non-Departmental</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15</strong></td>
<td><strong>3</strong></td>
<td><strong>7</strong></td>
<td><strong>5</strong></td>
</tr>
</tbody>
</table>

#### Schools Audit Universe

<table>
<thead>
<tr>
<th>Division</th>
<th>FY21 Audit Plan</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business and Finance</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operations</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>School Leadership and Support Services</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3</strong></td>
<td><strong>1</strong></td>
<td><strong>2</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

**FY21 County and School Project Total** 18 4 9 4

**FY21 Audit Plan Percentage of Risk** 22% 50% 28%

*Note B:* Figure 1.3 totals do not include non-audit services and hotline projects.
# PROPOSED FY21 AUDIT PLAN

## Annual Recurring Projects (not included in Audit Universe):

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Hours</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>APA Comparative Report</td>
<td>75</td>
<td>N/A</td>
</tr>
<tr>
<td>CDBG &amp; Home Organizations</td>
<td>100</td>
<td>N/A</td>
</tr>
<tr>
<td>Community Organizations Applying for Donations</td>
<td>100</td>
<td>N/A</td>
</tr>
<tr>
<td>Volunteer Fire &amp; Rescue Organizations</td>
<td>50</td>
<td>N/A</td>
</tr>
</tbody>
</table>

## Recurring Projects:

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Hours</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Follow-Up</td>
<td>500</td>
<td>N/A</td>
</tr>
<tr>
<td>Annual Report Card</td>
<td>50</td>
<td>N/A</td>
</tr>
<tr>
<td>Audit Risk and Work Plan Performance</td>
<td>500</td>
<td>N/A</td>
</tr>
<tr>
<td>External Audit Support</td>
<td>300</td>
<td>N/A</td>
</tr>
<tr>
<td>Peer Review (Triennial)</td>
<td>200</td>
<td>N/A</td>
</tr>
</tbody>
</table>

## Fraud, Waste, and Abuse Hotline/Special Projects:

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Hours</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Special Projects/Hotline</td>
<td>1,000</td>
<td>N/A</td>
</tr>
<tr>
<td>Fraud, Waste, and Abuse Hotline Annual Report</td>
<td>100</td>
<td>N/A</td>
</tr>
<tr>
<td>Schools Special Projects/Hotline</td>
<td>750</td>
<td>N/A</td>
</tr>
</tbody>
</table>

## Annual Recurring Project Subtotal (% of Total Audit Hours Available):

<table>
<thead>
<tr>
<th>Calculations</th>
<th>Hours</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Recurring Project Subtotal (%) of Total Audit Hours Available</td>
<td>3,725</td>
<td>35%</td>
</tr>
</tbody>
</table>

## Risk-Based Audit Projects (included in Audit Universe):

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Hours</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Special Project: Community Enhancement Risk Control Self Assessment</td>
<td>75</td>
<td>Low</td>
</tr>
<tr>
<td>Parks &amp; Recreation, Concession Stand Leases and Leases (Softball, etc.)</td>
<td>100</td>
<td>Low</td>
</tr>
<tr>
<td>Risk Management, Claims Administration and Worker’s Compensation</td>
<td>275</td>
<td>Medium</td>
</tr>
<tr>
<td>Schools, Student Enrollment</td>
<td>300</td>
<td>Medium</td>
</tr>
<tr>
<td>Social Services, General Relief</td>
<td>200</td>
<td>Medium</td>
</tr>
<tr>
<td>Utilities, Customer Information System</td>
<td>275</td>
<td>Medium</td>
</tr>
</tbody>
</table>

## FY20 Audits In Progress:

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Hours</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Special Project: Community Enhancement Risk Control Self Assessment</td>
<td>75</td>
<td>Low</td>
</tr>
<tr>
<td>Parks &amp; Recreation, Concession Stand Leases and Leases (Softball, etc.)</td>
<td>100</td>
<td>Low</td>
</tr>
<tr>
<td>Risk Management, Claims Administration and Worker’s Compensation</td>
<td>275</td>
<td>Medium</td>
</tr>
<tr>
<td>Schools, Student Enrollment</td>
<td>300</td>
<td>Medium</td>
</tr>
<tr>
<td>Social Services, General Relief</td>
<td>200</td>
<td>Medium</td>
</tr>
<tr>
<td>Utilities, Customer Information System</td>
<td>275</td>
<td>Medium</td>
</tr>
</tbody>
</table>

## FY20 Audits Remaining:

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Hours</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Development, Revitalization</td>
<td>400</td>
<td>Medium</td>
</tr>
<tr>
<td>IST, Application Security Controls</td>
<td>500</td>
<td>Medium</td>
</tr>
<tr>
<td>Schools, Capital Projects and Maintenance</td>
<td>525</td>
<td>Medium</td>
</tr>
</tbody>
</table>

## FY20 Carry Over Subtotal (% of Total Audit Hours Available):

<table>
<thead>
<tr>
<th>Calculations</th>
<th>Hours</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY20 Carry Over Subtotal (%) of Total Audit Hours Available</td>
<td>2,650</td>
<td>25%</td>
</tr>
</tbody>
</table>

## Annual External Audit Support:

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Hours</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schools, School Activity Funds</td>
<td>125</td>
<td>High</td>
</tr>
<tr>
<td>Sheriff, Jail Canteen and Inmate Trust Fund</td>
<td>325</td>
<td>Low</td>
</tr>
</tbody>
</table>

## Total Audit Hours Available with Current Vacancies C:

<table>
<thead>
<tr>
<th>Calculations</th>
<th>Hours</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Audit Hours Available with Current Vacancies C</td>
<td>8,825</td>
<td>83%</td>
</tr>
</tbody>
</table>

## Total Audit Hours Available when Fully Staffed C:

<table>
<thead>
<tr>
<th>Calculations</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Audit Hours Available when Fully Staffed C</td>
<td>10,600</td>
</tr>
</tbody>
</table>

**Note C:** Covid-19 created Internal Audit (IA) staffing vacancies (two full-time positions) and may prevent office from performing 10,600 audit hours. If not fully-staffed, projects will be prioritized based on risk.
Auditable County Units Appendix I

Community Development
- Building Inspection
- Community Enhancement
  - CDBG & Home Organizations
- Economic Development
- Environmental Engineering
- Planning
- Transportation
- Utilities
  - Capital Projects
  - Capital Maintenance

Community Operations
- Circuit Court Clerk
- Commonwealth’s Attorney
- Cooperative Extension
- General Services
  - Airport
  - Building and Grounds
  - Fleet Management
  - Waste and Resource Recovery
- Information System Technology
  - Application Services
  - Infrastructure Services
- Libraries
- Parks and Recreation
- Risk Management
- Sheriff
  - Jail Canteen and Inmate Trust Fund
  - Riverside Regional Jail

County Management
- Clerk to the Board of Supervisors
- County Administration
- County Attorney
- Fire and EMS
  - Volunteer Fire & Rescue Organizations
- Human Resources
- Intergovernmental Relations

- Police
  - Emergency Communications

Entity-Wide
- APA Comparative Report
- Capital Projects
- Capital Maintenance
- Disaster Management
- Payroll
- Quarterly Expenditure Analysis
- Revenue Collections

Finance
- Accounting
  - Enterprise System Security
- Budget and Management
  - Community Organizations Applying for FY21 Donations
- Commissioner of Revenue
- Communications and Media
- Procurement
- Real Estate Assessor
- Registrar/Electoral Board
- Training/Learning & Performance Center
- Treasurer

Human Services
- Citizen Information and Resources
- Community Corrections
- Courts
- Juvenile Detention Home
- Mental Health Support Services
- Social Services

Non-Departmental
- Tax Relief for the Elderly
- County Affiliated Entities
Business and Finance
  • Budget & Management\textsuperscript{M}
  • Finance\textsuperscript{H}
  • Food Service\textsuperscript{M}

Operations
  • Facilities, Maintenance, and Construction\textsuperscript{M}
    o Capital Projects\textsuperscript{M}
    o Capital Maintenance\textsuperscript{M}
  • Planning\textsuperscript{M}
  • Safety and Security\textsuperscript{M}
  • Student Transportation\textsuperscript{M}

Human Relations
  • \textit{Communications and Community Engagement}
    o Communities in Schools\textsuperscript{M}
    o Family and Community Engagement\textsuperscript{M}
    o Government, Policy, and Media Relations\textsuperscript{L}
    o Printing Services\textsuperscript{L}
  • Constituent Services and Student Leadership\textsuperscript{L}
  • \textit{Human Resources and Employee Services}
    o Compensation and Benefits\textsuperscript{M}
    o Human Resources\textsuperscript{M}

School Leadership and Support Services
  • Elementary School A\textsuperscript{M}
  • Elementary School B\textsuperscript{M}
  • Elementary School C (Title 1)\textsuperscript{M}
  • High School\textsuperscript{M}
  • Middle School\textsuperscript{M}
  • Student Support Services\textsuperscript{H}
  • Technology Services\textsuperscript{H}

Student Learning and Organizational Development
  • Career and Technical Education\textsuperscript{M}
  • Organizational Development\textsuperscript{M}
  • Special Education\textsuperscript{M}
  • Teaching and Learning\textsuperscript{M}

School Management
  • Superintendent\textsuperscript{L}
  • School Board Attorney\textsuperscript{L}

\textbf{Note D}: Risk rating are listed for auditable units: H – High; M – Medium; L – Low; NA – Non-Audit. Non-Audits are listed for reference and not included in auditable unit counts (Figures 1.1, page 3 and 1.2, page 4).
Chesterfield County Mission Statement
Providing a FIRST CHOICE Community Through Excellence in Public Service

Stop Fraud.
804-318-8000
REPORT suspected fraud, waste and abuse in schools and county government.

CHESTERFIELD COUNTY PUBLIC SCHOOLS
Educating Students for Life
Completed FY20:

- Accounting, Enterprise System Security
- Accounting, FY19 Revenue Collection Points
- Airport Special Project
- Annual Follow-Up, FY20 Report
- Audit Work Plan, FY21 (Proposed)
- Cooling Tower Maintenance Special Project
- Emergency Communications Center
- External Audit Support
- Fraud, Waste, and Abuse Hotline Program, FY19 Report
- Financial Statement Review:
  - CDBG & HOME Organization and FY21 Applicants

In Progress:

- Community Enhancement, Risk Control Self-Assessment
- County/School Special Projects/Hotline
- Financial Statement Review:
  - APA Comparative Report
- HR, Benefits Administration
- Parks & Recreation, Concessions Stands Leases and Leases (Softball, etc.)
- Risk Management, Claims Administration and Worker’s Compensation
- Schools, School IT Risk Assessment
- Schools, Specialized Student Transportation Special Project (Draft Issued 05.22.2020)
- Schools, Student Enrollment
- Social Services, General Relief
- Utilities, Customer Information System

Remaining:

- County Affiliated Entities/ERM
- Economic Development, Revitalization
- General Services, Security Program
- IST, Application Security Controls,
- Peer Review (other organization participation)
- Schools, Capital Projects and Maintenance

2 05.14.2020 County and Schools approved FY20 Audit Plan amendment for project removal
ALLEGATIONS RECEIVED FY20
There have been 27 allegations received through June 1, 2020, and 5 allegations carried over from Fiscal Year 2019.

<table>
<thead>
<tr>
<th>February 13</th>
<th>Activity Since Prior Update</th>
<th>June 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>New</td>
<td>Closed</td>
</tr>
<tr>
<td>Investigations</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Referrals</td>
<td>16</td>
<td>-</td>
</tr>
<tr>
<td>Open/Pending Items</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>10</td>
</tr>
</tbody>
</table>

ALLEGATIONS CLOSED FY20
Since February 13, we have closed four allegations and issued hotline summary reports to the responsible Department/Division management. Four allegations were closed by referral and one allegation was investigated. Investigation(s) completed this period:

<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>Real Estate Assessor</td>
<td>Employee taking excessive personal time during work hours while operating County vehicle. (Management)</td>
<td>Yes</td>
<td>Employee resigned April 7, 2020. Real Estate Assessor established periodic meetings with staff to verify assignment status and performance expectations are being met.</td>
</tr>
</tbody>
</table>

ALLEGATIONS SUBSTANTIATED FY20
For the 23 allegations closed in FY20, 9 (39%) were substantiated.
Periodic Report Review

- Reports issued subsequent to February 13, 2020 County AFC meeting:
  - Airport Special Project
  - Police Training
  - FY19 Revenue Collection Points
  - FY20 Audit Follow-up
  - Non-Audit Reporting
    - Volunteer Fire and Rescue Organizations Audit Reports Submitted in CY19
    - CDBG & HOME Organizations and FY21 Applicants
This special project, requested by management, evaluated FY19 Airport data on:

- Operations, procedures, staffing and management reporting,
- Contract management for FBO’s and leases, and
- Governance structure and organizational placement.

- Management concurred with 10 of 10 of our recommendations.
In summary, we made the following significant recommendations:

- **Financial reporting:**
  - Consider Airport Fund financial policy to establish a target working capital balance,
  - General Services prepare an Airport Fund financial analysis for reporting annually to County Management,
  - Airport Management provide performance reporting to General Services throughout the year,
  - Airport Fund to fully budget maintenance expense for three General Services positions.
Airport Special Project (continued)

- Operational documentation:
  - Document County staff operational procedures,
  - Strengthen monthly rental remittance documentation,
  - Develop process to maintain annual T-Hangar inspection results and violation resolution.
Police Training (FOIA Exempt)

This performance audit was approved on the FY20 audit plan and included analysis of:

- Controls over firearms and ammunition,
- Training monitoring and assignment process,
- Division budget analysis and
- Controls over critical computer systems.

Management concurred with 2 of 2 of our recommendations. Additionally, we issued 1 commendation.

Portions of our reporting related to systems security and public safety are FOIA exempt.
Excluding FOIA exempt items, we found:

- Training Academy was re-certified by Virginia Department of Criminal Justice Services (DCJS) on March 6, 2019.
- Sampled officers received required DCJS training which includes specialized police and County mandated training.
- Elective training costs exceeded budgeted amounts for the last five fiscal years.
Another performance audit included in our FY20 audit plan focused on revenue collections in selected departments: General Services Waste and Resource Recovery Division (WARR), Libraries, Parks and Recreation and Mental Hearth Support Services (MHSS).

Audit Objectives included:

- Testing revenues for compliance with cash receipting, timely deposits, general ledger recording and reconciliations,
- Testing compliance with petty cash and change fund procedures,
- Testing MHSS group home compliance with consumer funds and medication procedures.

Management concurred with 14 of 14 recommendations and received two commendations.
FY19 Revenue Collection Points (continued)

- Petty Case, Change, and Consumer Funds
- Accounts Receivable
  - Recommendation to implement Treasurer’s Debt Collection Division countywide for delinquent accounts and consider policy updates to raise $30 debt referral threshold.
- Cash Receipting and Other Transactions
  - Recommendation to maintain a comprehensive list of cash collection points and process for retaining department cash receipt procedures approval.
- Point of Sale Systems
  - Recommendation to develop policy requirement for departments accepting card payments to confirm PCI compliance at least annually.
## FY20 Audit Recommendation Statistics by Division

<table>
<thead>
<tr>
<th>ENTITY / DIVISION</th>
<th>PRIOR</th>
<th>NEW</th>
<th>CLOSED</th>
<th>OPEN</th>
<th>&gt; 5 Years</th>
<th>% &gt; 5 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>County:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Operations</td>
<td>27</td>
<td>11</td>
<td>15</td>
<td>23</td>
<td>10</td>
<td>42%</td>
</tr>
<tr>
<td>Human Services</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>1</td>
<td>20%</td>
</tr>
<tr>
<td>Finance and Administration</td>
<td>2</td>
<td>19</td>
<td>12</td>
<td>9</td>
<td>1</td>
<td>11%</td>
</tr>
<tr>
<td>Community Development</td>
<td>13</td>
<td>17</td>
<td>7</td>
<td>23</td>
<td>2</td>
<td>9%</td>
</tr>
<tr>
<td>Fire</td>
<td>4</td>
<td>-</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>67%</td>
</tr>
<tr>
<td>Police</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>4</td>
<td>1</td>
<td>25%</td>
</tr>
<tr>
<td><strong>County Subtotal</strong></td>
<td><strong>53</strong></td>
<td><strong>53</strong></td>
<td><strong>39</strong></td>
<td><strong>67</strong></td>
<td><strong>17</strong></td>
<td><strong>25%</strong></td>
</tr>
<tr>
<td><strong>Schools:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business and Finance</td>
<td>5</td>
<td>35</td>
<td>20</td>
<td>20</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Human Relations</td>
<td>2</td>
<td>25</td>
<td>11</td>
<td>16</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Leadership and Support Services</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>1</td>
<td>33%</td>
</tr>
<tr>
<td>Operations</td>
<td>2</td>
<td>8</td>
<td>6</td>
<td>4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>School Subtotal</strong></td>
<td><strong>12</strong></td>
<td><strong>68</strong></td>
<td><strong>37</strong></td>
<td><strong>43</strong></td>
<td><strong>1</strong></td>
<td><strong>2%</strong></td>
</tr>
<tr>
<td>Regional Authorities</td>
<td>-</td>
<td>11</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Constitutional Officers</td>
<td>7</td>
<td>17</td>
<td>16</td>
<td>8</td>
<td>1</td>
<td>13%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>72</strong></td>
<td><strong>149</strong></td>
<td><strong>103</strong></td>
<td><strong>118</strong></td>
<td><strong>19</strong></td>
<td><strong>16%</strong></td>
</tr>
<tr>
<td><strong>ALGA 2018 Benchmark</strong></td>
<td><strong>N/A</strong></td>
<td><strong>84</strong></td>
<td><strong>N/A</strong></td>
<td><strong>N/A</strong></td>
<td><strong>N/A</strong></td>
<td><strong>N/A</strong></td>
</tr>
</tbody>
</table>
Non-Audit Projects

- Volunteer Fire and Rescue Organization Audit Reports Submitted in CY19.
- CDBG & HOME Organizations and FY21 Applicants
Khara Durden
Durdenk@chesterfield.gov
748-1240