



Providing a FIRST CHOICE
Community through
Excellence in Public Service

Chesterfield County
Internal Audit
Department

Internal Audit FY19 Report Card

August 12, 2019

| | |
|---|---|
| Introduction | 1 |
| Completed Project Statistics | 3 |
| Completed Projects Listings | 5 |
| Audits in Progress at Fiscal Year End | 6 |
| Audit Resource Allocations | 7 |
| Internal Audit Team | 8 |



Chesterfield County, Virginia Internal Audit

9901 Lori Road, Room 142 – P.O. Box 40 – Chesterfield, VA 23832
Phone: (804) 748-1240 – Fax: (804) 768-9346 – Internet: chesterfield.gov

DATE: August 12, 2019

| | | |
|------------|---|---|
| TO: | Joseph P. Casey, Ph.D. County Administrator | Chesterfield County Board of Supervisors |
| | Mervin B. Daugherty, Ed.D. School Superintendent | Chesterfield County School Board |

FROM: Greg L. Akers
Director of Internal Audit

SUBJECT: Fiscal Year 2019 Internal Audit Report Card

In compliance with Administrative Procedures, this document summarizes our past fiscal year work efforts. Internal Audit's ten-member team includes nine audit professional positions with five certified public accountants, certified internal auditor, certified information systems auditor, three certified fraud examiners, certified government auditing professional and a chartered global management accountant. I appreciate each Internal Audit Department team members' contributions to:

- Implement comprehensive audit services that address the risks, needs, and goals of the County and School Board.
- Administer the Fraud, Waste, and Abuse Hotline program for the employees and community as mandated by the *Code of Virginia*.
- Provide mandated external audit support for completion of the Comprehensive Annual Financial Report (CAFR).
- Respond to special project requests.
- Identify areas for improvement of controls, efficiency, and effectiveness.
- Monitor implementation of the audit recommendations.

INTRODUCTION

Significant fiscal year 2019 activities included:

- Strengthened technology audit focus:
 - With team member earning their certified information systems auditor (CISA) credential and reclassifying existing position to establish technology manager.
 - Improved training, with two team members attending Computer Audit, Control and Security (CACS) conference and six team members attending data analytics training.
 - We identified certain FY19 projects requiring a technology focus and will increase technology focus for all future audits.
- Continued support of [Audit and Finance Committees'](#) (AFC) public discussion of audit results and practices. Enhancements included:
 - Placing reports on [Internal Audit's website](#) as issued (versus periodically posting after AFC meeting dates). Continues to increase transparency by making reports available to public prior to AFC meetings through "link" to agenda.
 - Streamlined report executive summary format (i.e. *Highlights*) for improved readability and to reduce duplication with report details.
 - Obtained Joint AFC approval for updated Internal Audit Administrative Policies, to reflect creation of separate School AFC.
- Redefined auditable unit population for approved fiscal year 2020 audit plan to match organizational department structure. This condensed population should promote management input on risk and audit objectives, while increasing overall audit frequency.
- Continued participation with Virginia Local Government Auditors Association's (VLGAA) for professional education and networking opportunities. Includes service in organization officer roles (Vice-President 2018 and President 2019).

We thank you for your continued support, and value your input to improve our audit services.

COMPLETED PROJECT STATISTICS

The Association of Local Government Auditors (ALGA) performs a Benchmarking and Best Practices survey of audit organizations every two years. The most recent benchmark data (published November 2018) using responses from 71 audit shops is included on the following tables.

| SUMMARY OF PROJECTS BY FISCAL YEAR | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|---------------------|
| Category | 2015 | 2016 | 2017 | 2018 | 2019 | ALGA 2018 Benchmark |
| Performance Audits ¹ | 40 | 37 | 29 | 17 | 12 | 12 |
| Other Projects (Non-Audit) | 12 | 12 | 8 | 11 | 8 | 5 |
| Hotline Allegation Summary ² | - | - | - | - | 16 | N/A |
| Total | 52 | 49 | 37 | 28 | 36 | 17 |

The number of projects completed varies between years, based on individual project complexity and the volume of special project requests.

¹ *The Virginia Department of Education requires each School's Student Activity Funds be audited annually (external auditor or Internal Audit). Starting 2018 number of Student Activity Fund audits performed by Internal Audit was reduced from 16 to 4.*

² *We provide periodic Hotline activity updates to the AFCs throughout the year, with fiscal year report summarizing program results ([Fraud, Waste, and Abuse Hotline Program FY19 report](#)). Certain items may be evaluated and reported through a special project performance audit. Beginning 2019 individual Hotline Allegation Summary reports were provided to Department Management for completed items.*

| AUDIT RECOMMENDATION STATISTICS BY FISCAL YEAR | | | | | | |
|--|------|------|------|------|------|---------------------|
| Recommendations | 2015 | 2016 | 2017 | 2018 | 2019 | ALGA 2018 Benchmark |
| New | 166 | 130 | 120 | 118 | 89 | 84 |
| Closed | 199 | 153 | 120 | 106 | 103 | N/A |
| Open | 97 | 74 | 74 | 86 | 72 | N/A |

Audit recommendation data as of December 31st each year is used to follow-up on all open audit issues from prior audits. Management is working to address open recommendations and estimates completing 76% of open items by December 31, 2019, 93% by December 31, 2020. Additional information is available in our [FY2019 Audit Follow-Up report](#).

COMPLETED PROJECT STATISTICS

| AUDITOR PERFORMANCE BY FISCAL YEAR | | | | | | |
|---|------|------|------|------|------|---------------------|
| Category | 2015 | 2016 | 2017 | 2018 | 2019 | ALGA 2018 Benchmark |
| Number of audits performed per auditor FTE ³ | 7.9 | 6.7 | 4.6 | 4.2 | 4.9 | 2.1 ⁵ |
| Percent of total time charged to audits ⁴ | 62% | 69% | 70% | 62% | 67% | 70% |

The number of projects completed by auditor varies between years, based on individual project complexity and the volume of special project requests. Employee turnover in 2018 required more recruiting and training emphasis, reducing percent of time charged to audits.

³ Full-time equivalent (FTE) computed from auditor position total hours.

⁴ Time not charged to audits includes administration, continuing professional education, mandated County employee training, community service, recruitment, holidays and paid leave.

⁵ ALGA number of audits per auditor benchmark decreased from 4.0 in 2016 and 7.8 in 2014.

| CUSTOMER SATISFACTION RATINGS BY FISCAL YEAR | | | | | |
|--|------|------|------|------|------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Chesterfield Internal Audit | 4.7 | 4.3 | 4.2 | 4.7 | 4.6 |
| ALGA Benchmark | 4.4 | 4.4 | 4.2 | 4.2 | 4.5 |

At project completion, customers are provided surveys to rate their satisfaction, based on a 5-point scale, which helps us monitor quality control and improve our service.

COMPLETED PROJECT LISTINGS

Performance Audits:

- ARWA Billing Special Project (4/23/19)
- GRTC Billing Special Project (4/19/19)
- Jail Canteen and Inmate Trust Fund Audit FY18 (11/2/18)
- MHSS Support Services, Medicaid – Day Support Program (2/22/19)
- Planning Proffers and Conditions (3/8/19)
- Police Animal Services (7/11/2018)
- Real Estate Assessment Processes and Systems (4/10/19)
- School Activity Funds FY18 (8/17/18)
- School Food and Nutrition Services (7/20/18)
- School Overtime Special Project (6/10/19)
- School Payroll and Classification/Compensation (6/28/19)
- School Temporary Work Assignments (3/4/19)

Other:

- CDBG/HOME Program Organization Audit Reports FY20 (2/4/19)
- Community Organizations Applying for Donations for FY20 Donations (12/28/18)
- Fraud Waste and Abuse Report FY18 (10/31/18)
- FY2018 APA Comparative Report Analysis (5/31/19)
- FY2019 Audit Follow-Up (6/27/19)
- FY2020 Audit Work Plan (6/14/19)
- Internal Audit FY18 Report Card (8/17/18)
- Volunteer Fire and Rescue Organization Audit Reports Submitted in CY18 (6/28/19)

Hotline Allegations Completed:

- 7 Investigations (1 reported as special project performance audit)
- 10 Referrals

AUDITS IN PROGRESS AT FISCAL YEAR END

Audits in Progress:

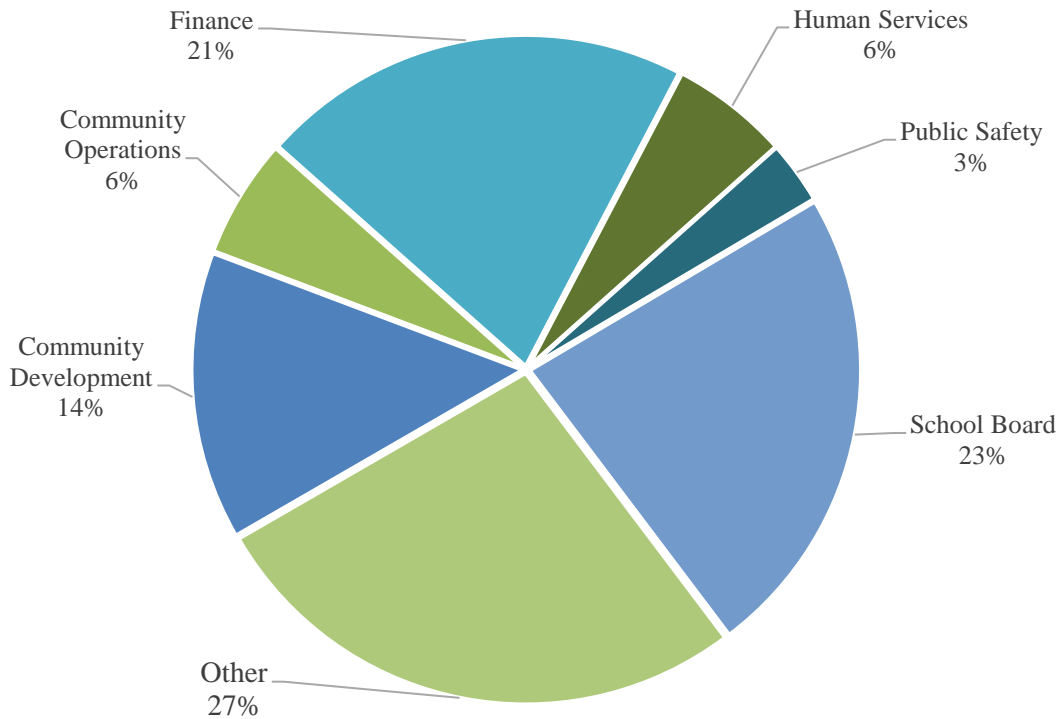
- Accounting, Enterprise System Security
- Accounting, Quarterly Expenditure Analysis
- Accounting, Revenue Collection Points
- CDBG Program Compliance
- County Social Media Special Project
- Emergency Communications Center, Training, Operations, and Expenditures
- HR Benefits Administration
- Jail Canteen and Inmate Trust Fund Audit FY19
- Volunteer Fire and Rescue Organization Audit Reports Submitted in CY19
- School Activity Funds FY19
- Schools, IT Risk Assessment
- Treasurer Tax Billing, Payment Procedures and Balances

AUDIT RESOURCE ALLOCATION

| FISCAL YEAR 2019 | |
|---|---------------|
| Area | Hours |
| Community Development | 1,451 |
| Community Operations ⁶ | 600 |
| Finance ⁶ | 2,177 |
| Human Resources | - |
| Public Safety | 317 |
| Human Services | 593 |
| School Board | 2,394 |
| Other (Includes Open Recommendation Follow-up, Miscellaneous Hotline and Special Projects, Audit and Risk Plan, and External Audit Support) | 2,779 |
| TOTAL | 10,311 |

⁶ Certain County services are provided by Constitutional Officers. Any audit hours for these offices are grouped with Community Operations (Commonwealth’s Attorney, Circuit Court Clerk, and Sheriff) and Finance (Commissioner of Revenue and Treasurer).

Allocation By Area



INTERNAL AUDIT TEAM



November 17-23, 2019



| | |
|------------------------------|--------------------------|
| Greg Akers, CPA | Director |
| Steve Sanderson, CIA, CFE | Audit Manager |
| Khara Durden, CPA, CISA, CFE | Technology Audit Manager |
| Lora Holland, CPA, CGMA | Senior Auditor |
| Christopher Meade, CPA, CGAP | Senior Auditor |
| Terry Parker, MBA, CFE | Senior Auditor |
| Jim Boudreau | Staff Auditor |
| Sandra Fuentes | Staff Auditor |
| Christian Wingfield | Staff Auditor |
| Annette Stinson | Administrative Analyst |

Professional Associations

Staff professional organization memberships and participation include:

- Association of Certified Fraud Examiners (ACFE)
- American Institute of Certified Public Accountants (AICPA)
- Association of Local Government Auditors (ALGA)
 - Department's external peer reviews (performed every 3 years) resulted in unqualified opinions from 1996 - 2017.
- Government Finance Officers Association (GFOA)
- Information Systems Audit and Control Association (ISACA)
- Institute of Internal Auditors (IIA)
- Virginia ACL Users Group
- Virginia Government Finance Officers' Association (VGFOA)
- Virginia Local Government Auditors Association (VLGAA)



blueprint CHESTERFIELD

