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# Fraud, Waste, and Abuse Hotline Program FY20 Report

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July 14, 2020



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## Chesterfield County, Virginia Internal Audit

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**DATE:** July 14, 2020

**TO:** Joseph P. Casey, Ph.D. Chesterfield County  
County Administrator Board of Supervisors

Mervin B. Daugherty, Ed.D. Chesterfield County  
Superintendent School Board

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

**SUBJECT: Fraud, Waste, and Abuse Hotline Program FY20 Report**

Per Internal Audit Policy 08-02, we are providing the annual Fraud, Waste, and Abuse Hotline program report for the fiscal year ended June 30, 2020. The Hotline program is operated pursuant to the Code of Virginia §15.2-2511.2, providing employees and citizens a confidential means to report suspected fraud, waste, and abuse.

Having a Hotline is one of five key steps recommended by the Association of Certified Fraud Examiners (ACFE) to decrease vulnerability to fraud. As illustrated below, County and Schools have taken actions for all five recommended steps:

1. **Be Proactive.** Adopt a code of ethics for management and employees. Evaluate your internal controls for effectiveness and identify areas of the business that are vulnerable to fraud.

*Chesterfield County Administrative Policies and Procedures (06-001 and 08-02) and School Board Policies ([2170](#) and [5030](#)) establish the “tone at the top” with ethical expectations for all employees and required employee fraud reporting procedures.*

2. **Establish Hiring Procedures.** When hiring staff, conduct thorough background investigations. Check educational, credit and employment history (as permitted by law), as well as references.

*Human Resources Policies and Procedures for County and Schools establish hiring standards used to assess potential employees.*

3. **Train Employees in Fraud Prevention.** Do workers know the warning signs of fraud? Ensure that staff members know basic fraud prevention techniques.

*Orientation procedures and periodic training increase Hotline awareness. Various policies and procedures establish internal control expectations.*

## INTRODUCTION

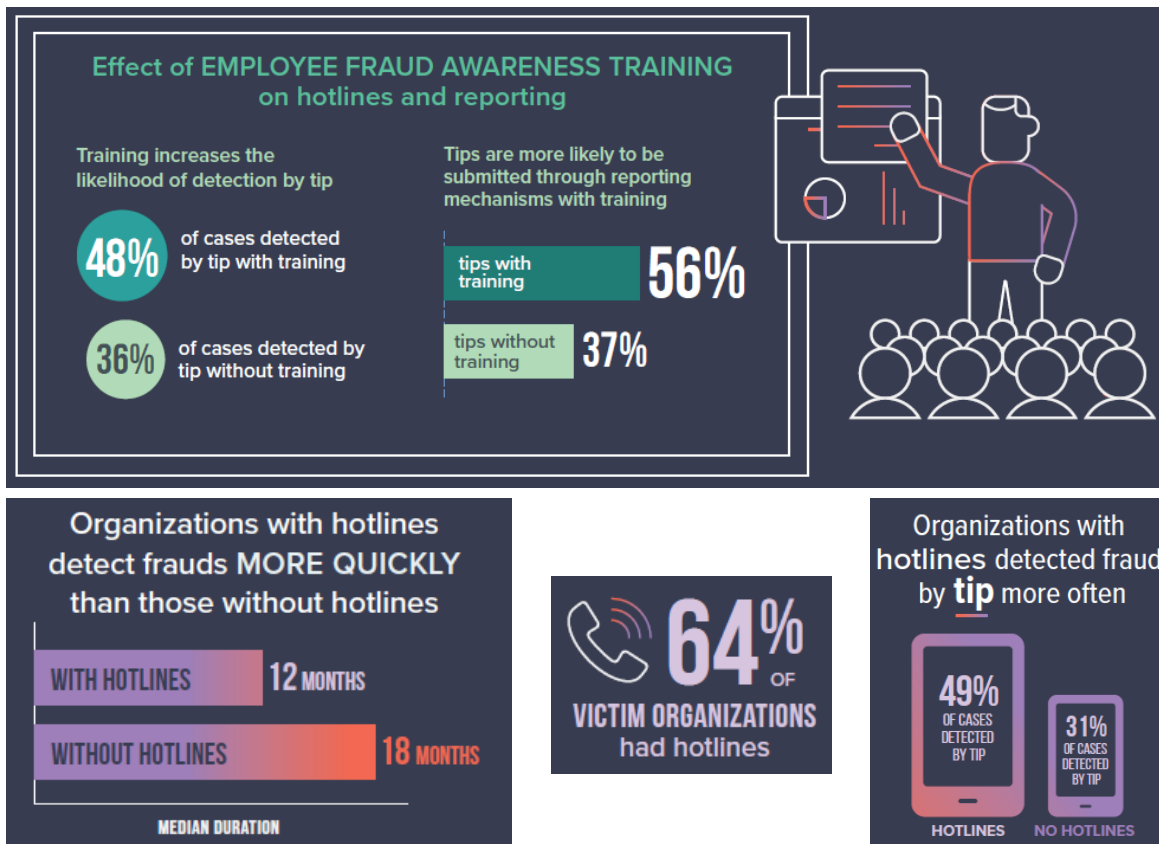
4. **Implement a Fraud Hotline.** Tips are the most common initial fraud detection method (40% according to the ACFE). Providing an anonymous reporting system for your employees, contractors and clients will help uncover more fraud.

*The Hotline provides a confidential process for employees and citizens to report suspected fraud, waste, or abuse of County and School assets and resources. Reports can be made anonymously by phone (804-318-8000), mail, in-person, email, and online at [Chesterfield.gov/ReportFraud](http://Chesterfield.gov/ReportFraud).*

5. **Increase the Perception of Detection.** Communicate regularly to staff about anti-fraud policies, ways to report suspicions of misconduct, and the potential consequences (including termination and prosecution) of fraudulent behavior.

*Internal Audit develops and distributes communications for Internal Audit Awareness Month (May) and Fraud Awareness Week (November) providing semiannual opportunities to promote fraud detection efforts.*

The ACFE’s annual Report to the Nations provides organizations a global study on occupational fraud and abuse. As shown below, the report illustrates the value of supporting an organization Hotline program.

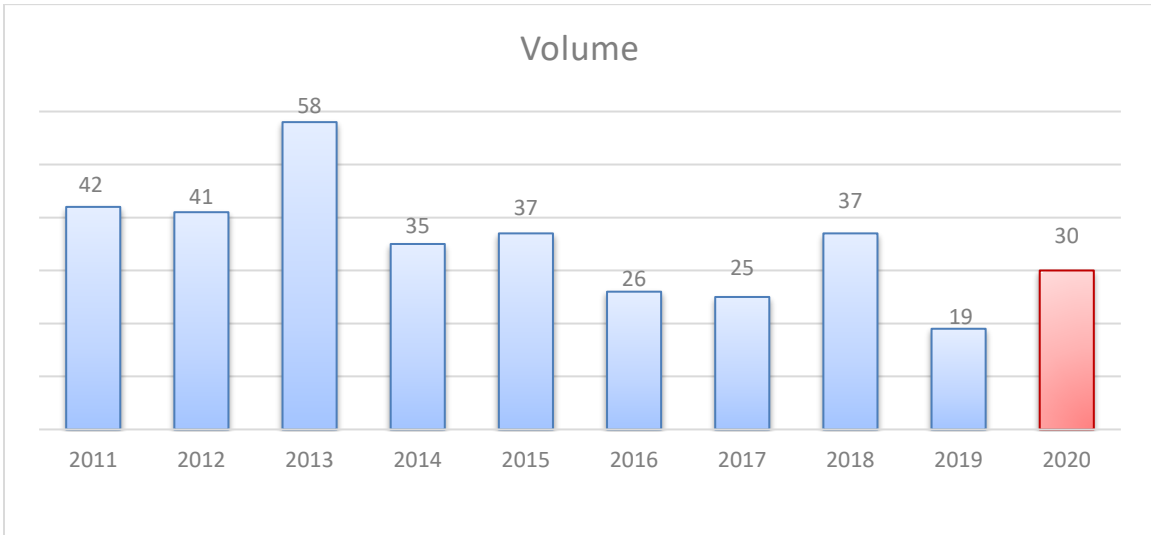


Source: ACFE 2020 Report to the Nations, page 21

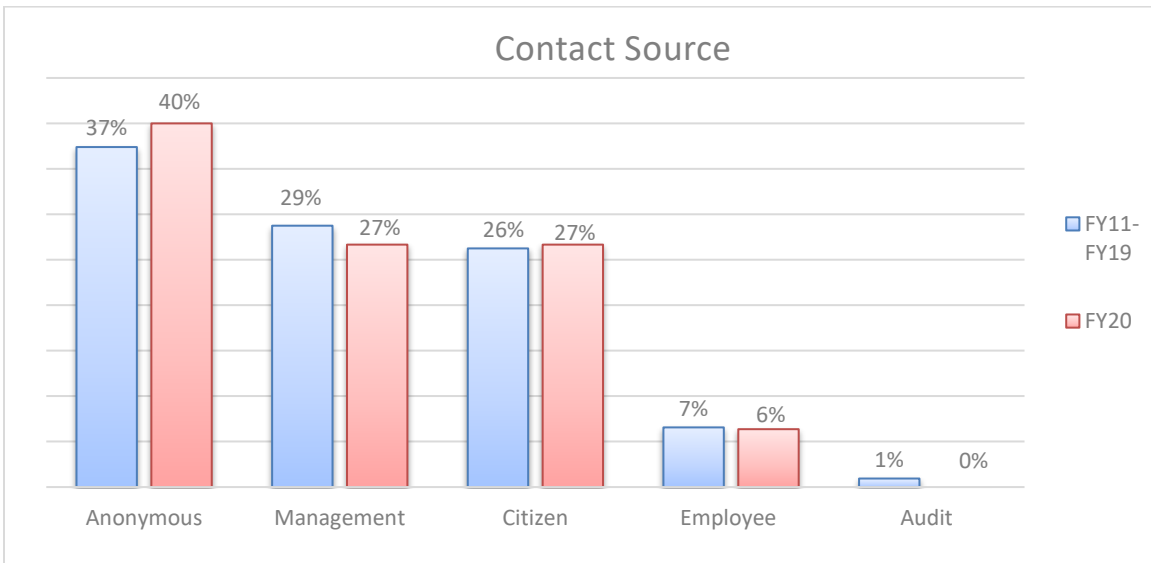
## ALLEGATIONS RECEIVED

Internal Audit issues Hotline Allegation Summary Reports to department management for each hotline call/allegation received. The Summary Reports list all applicable information such as: department, allegation type, description, source, handling, methodology, whether substantiated, employee(s), result, corrective action(s), recommendation(s), and management response(s).

Internal Audit received 30 allegations in FY20. Fiscal year allegation volume for the last 10 years is illustrated below:



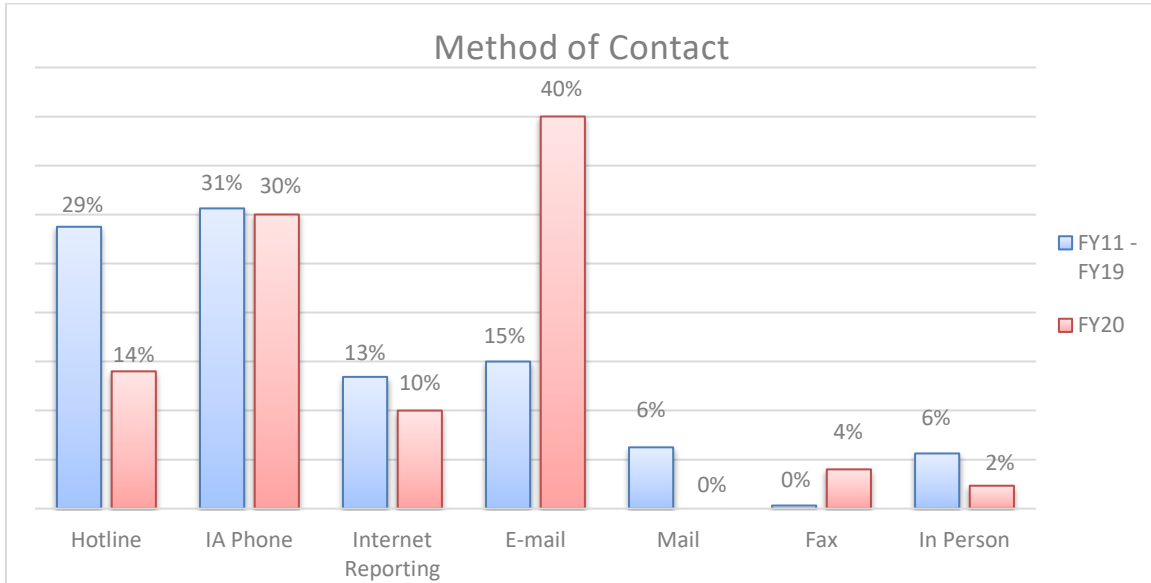
FY20 allegation sources are compared to prior 9-year history below:



## ALLEGATIONS RECEIVED

Anonymous sources include both citizens and employees where identity is not known. In all other categories, the source is known, including management and employees from County and School departments. The audit category includes items discovered during a regularly scheduled audit.

Internal Audit provides multiple options for reporting allegations. FY20 submission methods are compared to prior 9-year history below:



For allegations received, Internal Audit attempts to speak directly with the complainant, when known. We are best able to investigate when we can fully understand all aspects of the complaints (i.e. suspect(s), time, location, evidence, how observed, and allegation details).

## ALLEGATION HANDLING

Internal Audit evaluates allegations to determine if conditions warrant:

- An investigation by Internal Audit,
- Referral or consultation of matter with the related County or School department,
- Referral to department tasked with investigating such allegations,
- Referral to another entity or jurisdiction (i.e. items not involving Chesterfield County or Schools personnel, resources, or operations), or
- Insufficient information to initiate an action, or no action required.

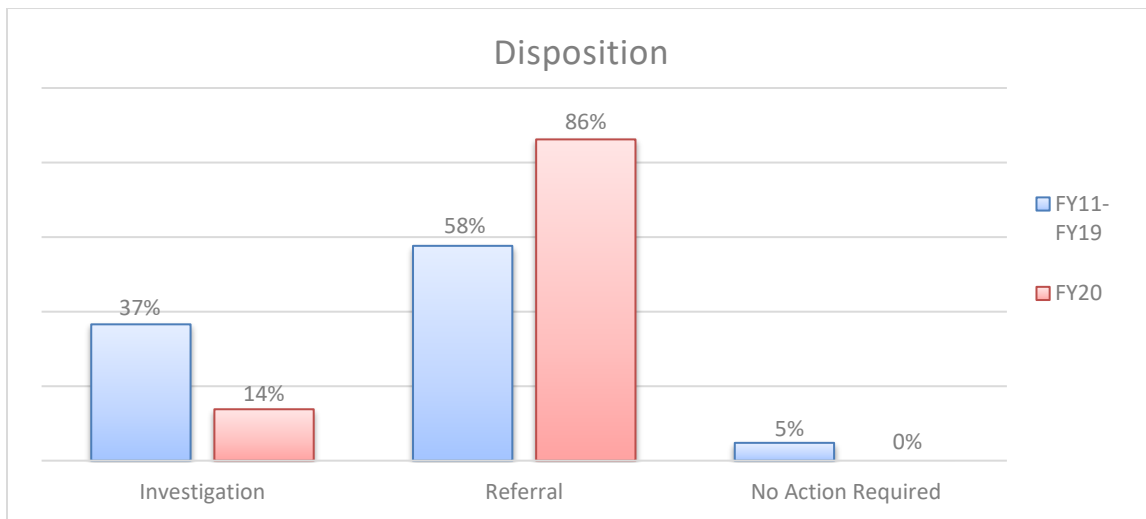
The investigation results are provided to management and, when applicable, to Human Resources for determining employee disciplinary action. In certain cases, process improvements are recommended to improve internal controls. The Audit and Finance Committees are provided periodic Hotline updates at meetings.

There were 29 cases completed in FY20, including 5 initiated in the prior fiscal year:

- 4 Investigations (summarized at page 6)
- 25 Referrals (summarized at pages 7–9)

There are 6 pending cases being carried over to the next fiscal year.

FY20 allegation handling is compared to prior 9-year history below:



## COMPLETED INVESTIGATIONS

Department	Allegation (Source) Case #	Substantiated (Report date)	Result
Real Estate Assessments	Employee Time Abuse (Management) 2020-0019	Yes (4/10/20)	GPS tracking identified employee took excessive personal time during working hours while operating a County vehicle. The employee resigned April 7, 2020. One recommendation for performance monitoring adoption.
School Finance	Check Fraud by Citizen (Management) 2020-0009	Yes (2/11/20)	Police arrested the offender who plead guilty to misdemeanor larceny.
School Special Education	Grant Fund Abuse (Citizen) 2019-0010	No (10/23/19)	No outsourced legal services payments from IDEA funds were identified.
School Student Transportation	Fraudulent Billing; Budget Mismanagement (Management) 2019-0017	No; Yes (6/17/20)	Controls were not functioning to ensure Student Transportation was prepared for providing specialized student transportation services. <a href="#">School Student Transportation Special Project report</a> issued with six recommendations to strengthen policies and procedures.

## REFERRALS

<b>Department</b>	<b>Allegation (Source) Case #</b>	<b>Substantiated (Report date)</b>	<b>Result</b>
Accounting	Business Email Compromise (BEC) Fraud (Management) 2020-0023	Yes (4/21/20)	Wells Fargo successfully recovered some funds. Risk Management paid vendor's invoice and filed an insurance claim for remaining stolen funds. One recommendation to strengthen vendor payment process.
Budget and Management	Ethics Code Violation (Management) 2020-0024	No (4/7/20)	Deputy County Administrator for Finance and Administration and Director of Budget and Management met with employee to address furlough decision concerns. Employee furlough remains in place.
Commissioner of the Revenue	Political Activity (Employee) 2020-0005	No (9/16/19)	Administration emailed political activity policy reminder to all employees.
Commissioner of the Revenue	County Office Hour Policy Violation (Citizen) 2020-0012	No (1/13/20)	Since Division Department is an independent agency, County is unable to enforce its office hours policy.
Commissioner of the Revenue	Citizen Tax Evasion (Anonymous) 2020-0016	Unknown (2/12/20)	Allegation forwarded to Constitutional Officer for investigation.
Commissioner of the Revenue	Citizen Tax Evasion (Citizen) 2020-0028	Unknown (6/12/20)	Allegation forwarded to Constitutional Officer for investigation.
Communications and Media	Employee Time Abuse (Anonymous) 2019-0019	No (8/12/19)	Employee arrives to work early to walk daily route before work shift begins.
Fire and EMS	Vehicle Policy Violation (Anonymous) 2020-0002	No (8/15/19)	The employee's assignments allow commuting in a County vehicle, which was authorized by their supervisor. Management found appropriate County equipment stored in the vehicle. There was no evidence of personal use.
Galloway Place (Mental Health Support Services)	Employee Time Abuse (Anonymous) 2020-0004	Yes (11/7/19)	An employee was terminated, and another received a Performance Report regarding the importance of accurate time reporting.



## REFERRALS

<b>Department</b>	<b>Allegation (Source) Case #</b>	<b>Substantiated (Report date)</b>	<b>Result</b>
Galloway Place (Mental Health Support Services)	Employee Time Abuse (Anonymous) 2020-0025	Yes (4/30/20)	MHSS Management investigation determined employee inaccurately accounted for her time. A letter of reprimand was provided to employee.
General Services	Employee Time Abuse (Management) 2020-0011	No (2/12/20)	Internal Audit concluded that this instance was best handled by Department supervision. Employee's supervisor issued a Performance Report.
Library	Employee Time Abuse (Management) 2020-0003	Yes (11/7/19)	County HR provided corrective action guidelines to Library management regarding employee time abuse.
Matoaca Middle School	School Zoning Fraud by Citizen (Anonymous) 2020-0008	No (2/11/20)	School administration confirmed the student's approved residency documents allowed Matoaca Middle School attendance.
Meadowbrook High School	Employee Time Abuse (Anonymous) 2019-0012	Yes (10/23/19)	Two employees observed taking breaks and leaving school campus without clocking out or receiving supervisor approval. Both were verbally counseled with notes added to their personnel files.
Mental Health Support Services (MHSS)	Personnel Matter (Anonymous) 2020-0029	Unknown (6/29/20)	Allegation forwarded to MHSS Management for investigation.
N/A – Non-Profit Organization with Library Relationship	Non-Profit Not Meeting Contractual Obligations (Anonymous) 2020-0021	N/A (2/25/20)	Organization was current with tax return filings. However, the Library and organization was operating without a signed memorandum of understanding since 2018. One recommendation for implementing updated memorandum of understanding.
N/A – Regional Authority	Personnel Matter (Anonymous) 2020-0006	N/A (10/15/19)	Matter forwarded to Chesterfield County's Board representatives for the authority to evaluate.

## REFERRALS

<b>Department</b>	<b>Allegation (Source) Case #</b>	<b>Substantiated (Report date)</b>	<b>Result</b>
School Facilities	HR Policy Violation (Management) 2020-0007	No (12/10/19)	School Operations Management was satisfied with the employee's response to the allegations and took no further action.
School Finance	Thefts – School Materials (Management) 2020-0001	Yes (7/18/19)	Police located most of the stolen materials at the former employee's new job site. Criminal charges are pending.
School Grants	School Human Resource Policy Violation (Anonymous) 2020-0013	No (1/22/20)	School Human Resources confirmed that School Finance Management did not have concerns with employee's knowledge, skills, and abilities. The employee's job duties were recently adjusted to meet organizational needs.
School Special Education	Retaliation Against Parent Involved in Special Education Dispute (Citizen) 2019-0013	No (11/7/19)	We reviewed the due process complaint decision. The matter was dismissed with prejudice (plaintiff forbidden from filing another lawsuit based on same grounds).
Social Services	Benefits Fraud by Citizen (Anonymous) 2020-0014	No (2/12/20)	Social Services did not find issue with any financial assistance from Chesterfield County. The allegation was also forwarded to Prince George County.
Social Services	Financial Assistance Fraud by Citizen (Citizen) 2020-0017	Yes (6/12/20)	Social Services determined the individual was not eligible to receive some benefits.
Social Services	Medicaid Billing Fraud by Company (Citizen) 2020-0020	N/A (6/12/20)	Allegation forwarded to Virginia Attorney General's Office.
Utilities	Personal Use of County Vehicle; State Law Non-Compliance (Citizen) 2020-0026	Yes (6/23/20)	Employees was not allowed to use County vehicle for personal use and employee did not perform a pre-trip vehicle inspection. One recommendation for compliance monitoring adoption.

## CLOSING

In addition to reducing losses and protecting the County's and School's assets; the Fraud, Waste, and Abuse Hotline program provides intangible benefits such as policy and procedure improvements, strengthened internal controls, and deterrence of fraud or wrongdoing. Internal Audit continues to be proactive in educating employees on the Hotline as well as the Fraud, Waste, and Abuse Prevention and Detection Policy and the Code of Ethics. We provide hotline information to all County and School employees through intranet sites, the Internal Audit website, new employee orientations, and training on internal controls and ethics to departments as requested.

Ethics remains a top priority for our organization. We appreciate the coordinated efforts of County and School staff and management working together to maintain an ethical environment and workplace.