



Providing a FIRST CHOICE
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FY20 Internal Audit Annual Report

July 31, 2020



CHESTERFIELD COUNTY
Internal Audit

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The Association of Local Government Auditors (ALGA) issues a Benchmarking, Best Practices, and Salary Survey every two years that provides information about local government internal audit departments around the country. Throughout our annual report, we provide comparisons between our Department and the 2018 ALGA report (2020 not available as of our report date). Although I believe it is useful to benchmark our current operations using this report, I caution direct comparisons. The survey received a 38% response rate with some organizations leaving many questions blank. Also, information is submitted without verifying that information is consistent across organizations.

The FY20 annual report looks significantly different from prior years and I welcome your feedback and input for improvements. Our new format provides a comprehensive overview of our work and highlights some additional achievements. I am very proud of our team and salute their efforts and accomplishments. We look forward to working with you again this year and are truly grateful for your continued support.

THE DEPARTMENT

Established September 1978, Internal Audit provides an independent function to conduct performance audits, special projects, external audit support, and investigate fraud, waste, and abuse allegations.

Internal Audit's mission is to provide objective analysis and information to management and those charged with governance to support County and School goals which benefit the community.

We accomplish our mission by providing the following services:

- Comprehensive audit services addressing entity-wide risks, needs and goals.
- Fraud, Waste, and Abuse hotline program administration for employees and citizens, and
- Comprehensive Annual Financial Report (CAFR) audit support.



Our Department is uniquely positioned to report directly to the County Administrator, School Superintendent, and the respective boards through the AFCs. This independence allows us to provide objective analysis, and offer honest, frank and truthful reporting for the enhancement of Chesterfield County.

Chesterfield County Charter §6.12 outlines that the Auditor is responsible for providing internal accounting and auditing controls to assure compliance with applicable laws, contractual obligations and accepted accounting practices to safeguard against loss or inefficiency. Additionally, the Auditor is given sweeping access to all records or documents of the county and school board subject to applicable law.

Internal Audit follows Generally Accepted Government Auditing Standards (GAGAS) published by the U.S. Comptroller General as well as any applicable laws and policies governing the State of Virginia and Chesterfield County.

The Department performs independent performance audits, non-audit projects, special projects, and annual reporting for County and School departments and programs. The resulting recommendations from these efforts help strengthen governance, improve performance, enhance efficiency, reduce risk, and improve quality of services. Performance audits examine the efficiency and effectiveness of various department activities as well as use of public funds. Non-audit projects provide technical assistance to departments. Special projects are in-depth analysis of a specific area or process resulting from a Hotline allegation or management request. Annual reports provide information disclosures required by County Policy.

Audit results are presented to the Audit and Finance Committees providing an opportunity for management questions and feedback. Additionally, we promote transparency by posting audit reports to our website when issued.

AUDIT REPORTS

The ALGA report provides survey responses from audit departments nationwide indicating the average number of projects completed for a department our size (6-10 audit staff). For Chesterfield County, the number of completed projects varies between years, based on individual project complexity, and the volume of special project requests.

PROJECT TYPE BY FISCAL YEAR				
Category	FY18	FY19	FY20	ALGA 2018 Benchmark
Performance Audits (includes special projects)	17	12	13	12
Other Projects (Non-Audit, Annual)	11	8	8	5
Total	28	20	21	17

Additionally, the ALGA report discloses that, like Chesterfield, 64% of audit departments track hours spent on audit, non-audit, indirect and benefit time. The table below compares Chesterfield County Internal Audit to ALGA results.

TIME SPENT BY ACTIVITY BY FISCAL YEAR		
Category	FY20	ALGA 2018 Benchmark (6-10 Audit Staff)
Audit Hours	51%	56%
Non-Audit Hours ¹	14%	14%
Indirect Hours ²	15%	15%
Benefit Hours ³	12%	15%
Redeployment ⁴	8%	0%

Note: New analysis in FY20; does not provide comparison to FY19 and FY18.

¹ Includes annual and technical reporting in addition to follow-up procedures.

² Includes administration, recruitment, training, technology, and County liaison roles.

³ Includes community service, holidays, PTO and recognition leave.

⁴ Staff helped with COVID-19 response which was not a category in the ALGA report.

At project completion, auditees are provided satisfaction surveys based on a 5-point scale, which helps us monitor quality control and improve customer service. During FY20, we had a 52% survey response rate. If rated below satisfactory, management follows-up with auditees for potential improvement areas.

CUSTOMER SATISFACTION RATINGS BY FISCAL YEAR				
	FY18	FY19	FY20	ALGA 2018 Benchmark
Chesterfield Internal Audit	4.7	4.6	4.3	90% of respondents report 4.1 – 5.0

AUDIT REPORTS

Triennially, our Department participates in a peer review performed by a professional, nonpartisan group utilizing guidelines endorsed by ALGA. A copy of our review is furnished to the County Administrator, School Superintendent, and the AFCs. Our October 2017 peer review marks 21 consecutive years of program participation. Although we are due for a Peer Review in 2020, the program has been temporarily placed on hold as a result of COVID-19. We are monitoring for program resumption to schedule our 2020 Peer Review and ensure continued participation.

Portions of our FY20 projects are highlighted below. Full versions of our reports are available to read on our website: <https://www.chesterfield.gov/432/Audit-Reports>. FOIA exempt information has been excluded from the summary below and redacted online. Full versions of our reports are issued to management.

Performance Audits:

Accounting ONESolution Enterprise System Security

Contains FOIA Exempt material related to: §2.2-3705.2(3): System Security and §2.2-3705.2(6): Facility Security, therefore a highlight summary is excluded from this report.

Management concurred with 9 of 9 recommendations.

Emergency Communications Center (ECC)

Systems Backup and Security - We evaluated critical systems, backup procedures, system updates and security measures. We noted TeleStaff (scheduling software) use is currently limited to scheduling and ECC has plans to integrate time and attendance data for payroll processing.

Staff Training and Quality Assurance Reviews - ECC has been accredited since 2006 through the Commission on Accreditation for Law Enforcement Agencies (CALEA). The program sets standards and best practices that provide processes to systemically review and internally assess operations and procedures. New hire training requires classroom, on-the-job, and general County training. Staff tested complied with department training requirements but had not completed all County employee required training. ECC performs Quality Assurance (QA) reviews of staff to ensure compliance with call-handling policy and procedures. We reviewed 25 QA reviews and noted the reviews were completed and reviewed with the employees.

Staffing and Overtime Monitoring - ECC maintains a shift spreadsheet and uses Telestaff scheduling software to ensure call center is staffed appropriately. Periodic Employee Engagement Surveys performed by Human Resources Management help department management identify changes over time and provide comparison with County-wide averages. Management reviewed the most recent County employee survey from 2017 and has taken reasonable actions to address employee concerns. We also noted annual employee evaluations were performed per County policy. ECC staff overtime hours are monitored regularly and were below the County's annual 700-hour limit.

Performance Reporting - We tested five key internal performance measures for data reliability and accuracy. We reviewed various call statistics reports and recalculated the reported performance measures, with minimal exceptions noted.

Management concurred with 2 of 2 recommendations.

AUDIT REPORTS

FY19 Expenditures (January 1st through June 30th)

Duplicate Payments, Wire Transfers, Top Vendors, Local Vendors, Budget Monitoring -Accounting identified one duplicate payment of 101 reviewed during our audit period, which they subsequently collected from the vendor.

We tested 15 wires totaling \$45.7M during our audit period for supporting documentation, proper approval, accuracy, and timeliness of posting without exception.

We tested eight payments from four of the top ten highest-paid vendors and noted expenditures complied with applicable contract, policy, and procurement requirements. We performed analytics over all vendors used during the audit period and determined 410 of 3,514 (11.67%) vendors were registered as Chesterfield Businesses and 819 of 3,514 (23.31%) were registered as Diversity Vendors. We also tested ten purchase orders (five less than \$10,000 and five more than \$10,000) for policy compliance regarding the solicitation of Chesterfield Businesses and Diversity Vendors, without exception.

We performed analytics over all department operating budgets and inquired with County/School Budget departments for any operating expenditure accounts that exceeded budget. We noted appropriate actions and monitoring were in place for all account-level overages.

Non-Cash Awards - County departments non-cash awards were \$49,635 during the audit period. We selected five County departments with award expenses, but not reporting taxable fringe benefits, for further review. We tested 14 purchase transactions for these departments totaling \$3,058 and identified \$1,075 that should have been reported as taxable fringe benefits. The departments submitted required employee recognition award forms for tax reporting to Accounts Payable department. However, Payroll confirmed related payroll tax withholding had not been performed. Accounting took action to correct.

There were no management recommendations.

FY19 Expenditures (through December 31st)

ONESolution Security and Verification - We reviewed ONESolution User Verification Reports for five County/School departments and noted ONESolution users cannot both create and approve transactions. The In-Focus Support Team distributes verification reports to confirm system user authorizations remain appropriate semi-annually. We noted all County and 96 of 104 (92.3%) School departments returned completed verification reports.

Duplicate Payments, Reimbursements, P-Cards and Vendor Contract Payments - Accounting identified two duplicate payments, which they subsequently collected from the vendor. Additionally, we tested twelve travel and miscellaneous employee reimbursements and ten travel/purchasing card expenditures. All expenditures tested were properly documented and followed policy. We also selected ten P-Card statements and noted department review was occurring. Lastly, we tested 20 payments from the top ten highest-paid vendors and ten software maintenance payments and noted expenditures complied with applicable contract, policy, and procurement requirements.

Budget and Expenditure Review Processes - We inquired five County/School departments about their budget monitoring process. We noted the budgets for each department were regularly reviewed by management and the Budget department. We also inquired of five County/School departments to explain their expenditure review process. We noted each department reviewed expenditures, however, the departments' expenditure review processes varied.

Management concurred with 2 of 2 recommendations.

AUDIT REPORTS

FY19 Jail Canteen and Inmate Trust Fund

Financial Reporting – During FY20, the Sheriff’s Office is transitioning to the County’s financial system which should streamline financial reporting. The Inmate Trust system reports are not designed to provide fiscal year fund financial reporting. Staff must analyze system reports to exclude vendor activity.

Cash Disbursements - Jail Canteen and Inmate Trust Fund did not consistently follow cash disbursement procedures. 25 Jail Canteen disbursements were tested, noting three lacked supervisory approval, seven lacked expenditure classification documentation, and five did not demonstrate benefit to inmates. three payments to charitable organizations did not document services provided to inmates. Disbursements to the canteen vendor were also tested (36 from Canteen and 72 from Inmate Trust), noting five payments did not have corresponding invoices.

Fixed Assets - Periodic physical inventory results are not documented, which might have identified incomplete information on the fixed asset list.

Reconciliations - Bank reconciliations were performed and reviewed for both the Jail Canteen and Inmate Trust accounts. However, there were seven Inmate Trust reconciliations that required subsequent corrections. We also noted staff have not received formal Inmate Trust system training.

Cash Receipts - The Jail Canteen receives monthly commission checks from the canteen vendor. Jail personnel did not document the date checks were received, making it difficult to determine deposit timeliness. 3 of 80 Canteen sales transactions tested lacked itemized receipts. For 25 Inmate Trust receipts tested, one was deposited eight days after intake and one property sheet did not match corresponding deposit documentation.

Management concurred with 13 of 13 recommendations.

FY19 Revenue Collection Points

Petty Cash, Change, and Consumer Funds - All departments with petty cash and change funds are required to submit fiscal year-end confirmations to Accounting. No exceptions were noted for tested departments. We also tested MHSS group home medication compliance and controls over consumer funds without exception.

Accounts Receivable - County policy establishes best practices for non-tax accounts receivable, which includes delinquent accounts receivable referral to the Treasurer’s Debt Collection Division (DCD). However, Accounting remains the only department that refers debts to DCD. We noted other policy compliance exceptions for tested departments regarding procedures documentation, late payment penalty, accounts receivable reconciliations, aging schedules, write-offs, and discharging debts.

Cash Receipting and Other Transactions - A comprehensive list of cash collection points does not exist. We tested three departments’ cash receipt controls and processing accuracy without exception. Two departments (WARR and Library) with addendum procedures to handle special cash receipting situations did not have documented Accounting and Treasurer approval as required.

Point of Sale Systems - There is no list identifying County departments that accept credit card payments, which could be used to monitor PCI compliance. County policy does not require departments annually verify third-party PCI compliance assessments with payment processing vendors.

Management concurred with 14 of 14 recommendations.

AUDIT REPORTS

FY19 School Activity Funds

The Department of Education has requirements for school activity funds, including that each school’s fund be audited at least annually. Internal Audit conducted this review of four schools as part of our FY20 audit plan approved by the County Administrator, School Superintendent, and Audit and Finance Committees. The County’s external auditor performs a review for the remaining 61 schools and our results by school are considered in the external auditor’s report.

We visited four schools, two elementary schools, one middle school, and one high school. Exceptions by school are summarized below by evaluation category. Most findings were minor and serve to remind bookkeepers of procedural responsibilities.

	Evaluation Categories					Totals
	General Procedures	Financial Reports, Journal, and Ledger	Cash	Cash Receipts	Cash Disbursements and Purchasing	
Monacan High	-	-	-	-	3	3
Salem Church Middle	-	1	-	1	1	3
Grange Hall Elementary	-	-	-	2	2	4
Alberta Smith Elementary ¹	-	-	-	-	2	2
Totals	-	1	-	3	8	12

¹ – Action has already been taken for one finding.

Management concurred with 11 of 11 recommendations.

Police Training

Required Police Training and Budget Analysis - The County Police Department’s Training Academy was re-certified by the Virginia Department of Criminal Justice Services (DCJS) on March 6, 2019. This certification enables Chesterfield County’s Police Training Academy to train its police officers to be Virginia-certified law enforcement officers. We sampled 25 County police officers to test for compliance with DCJS training requirements; 40 hours of training every two years. We noted County police officers received 42.8 hours of training during calendar year 2018. Training included specialized police and County mandated training. We compared Police’s elective training budget with actual expenses for the last five fiscal years and noted the budget was well below actual expenses for each fiscal year. We also noted Police did not track potential costs for needed training that exceeded the training budget.

Note: Portions of our report related to audit objectives (1) Systems Access and Updates and (2) Firearms and Ammunition Controls have not been disclosed due to FOIA exemption under §2.2-3705.2(3): System Security and §2.2-3705.2(14): Public Safety. Full copies of our reports are provided to management.

Management concurred with 2 of 2 recommendations.

AUDIT REPORTS

Treasurer Tax Billing and Payment Processing

Refunds/Credits and Tax Billing Reconciliations - The County's Tax Management System (TMS) implementation was substantially completed June 2017 and impacted two major processes, refund/credit processing and tax billing reconciliations. While Treasurer staff documented working refund/credit processing and reconciliation procedures, the formal policies have not been updated to reflect the new system processes. Monthly tax reconciliations to the general ledger were not consistently completed timely due to key staff turnover and initial limitations with system reporting.

Tax Payment Processing - The Treasurer's Office is responsible for collecting all County tax revenues (\$600 million collected FY18). We selected 25 tax payments and tested without exception:

- Payments were properly recorded in TMS and ONESolution.
- Payment application was credited against most delinquent tax.

Treasurer Tax Management System Project Management - Chesterfield County awarded PCI LLC a \$2.1 million contract April 9, 2015 for the Tax Management System (TMS). The contract required 12.5% retainage withheld for all invoices paid. While payments were made net of retainage, we determined retainage was not recorded in ONESolution (County's Enterprise System).

Note: Portions of our report related to audit objectives (1) Tax Management System Security/Access have not been disclosed due to FOIA exemption under §2.2-3705.2(3): System Security. Full copies of our reports are provided to management.

Management concurred with 5 of 5 recommendations.

AUDIT REPORTS

Special Projects:

Airport Special Project

Internal Audit performed this special project based on County management's request to evaluate Airport operations. The Airport is an operating division within the County's General Services Department. Financial activity is reported as an Enterprise Fund, similar to business accounting. Our evaluation primarily focused on FY19 operations. We found:

- Reporting to County management does not include Airport specific financial analysis.
- There is no routine performance reporting from Airport Manager throughout the year that supports annual update General Services provides to the Board of Supervisors (BOS).
- Opportunities to strengthen Airport Manager position requirements to include aviation management specific training and credentials necessary for essential operating duties.
- Airport does not have formal written procedures for County staff operational responsibilities.
- Potential financial activity to consider for Airport Fund reporting:
 - Implementing Airport Fund financial policy that establishes a target working capital balance that minimizes General Fund subsidies.
 - County General Fund primarily covers expenses for three General Services buildings and grounds employees providing Airport property and facility maintenance.
- Tested payments received by the Airport were accurate and complete for the FY19 Fixed Based Operator (FBO) rent/land leases and three other tenant leases.

Management concurred with 10 of 10 recommendations.

Cooling Tower Maintenance Special Project

Internal Audit performed this special project based on County managements' request to evaluate County and Schools (CCPS) heating, ventilation, and air conditioning (HVAC) cooling tower system (cooling tower) preventative maintenance practices from August 2017 through August 2019. County and Schools have separate departments, staffing and budgets for facility maintenance, which includes building HVAC systems. We found:

- The County had monthly water treatment inspections conducted, regularly performed cooling tower maintenance, and completed recommended repairs from inspections.
- Schools did not consistently have monthly water treatment inspections, regularly perform cooling tower maintenance, or complete recommended repairs from inspections.
- Neither County or Schools:
 - Have documented standard operating procedures for their HVAC water treatment processes based on consensus standards for water management.
 - Document management's evaluation of monthly water treatment inspection recommendations to identify planned response (i.e. identify if there is agreement and the planned repair or other resolution).
 - Use their service request and maintenance workorder systems (i.e. FacilityDude and SchoolDude) to document and monitor cooling tower preventative maintenance tasks completion.
- Schools budget process has not adequately prioritized HVAC system preventative maintenance needs and year end remaining balances have not been applied to maintenance needs.
- Schools did not have benchmark data to illustrate internal staffing requirements for on-going HVAC preventative maintenance.

Management concurred with 10 of 10 recommendations.

AUDIT REPORTS

School Specialized Student Transportation Special Project

Internal Audit performed this special project based on Chesterfield County Public Schools (CCPS) management request to evaluate student transportation expenditures paid to private transportation vendors. Our evaluation primarily focused on FY19 operations. We found:

- School Student Transportation (Transportation) budget did not receive adequate funding to support student Individual Education Plans (IEPs) requiring contracted services for specialized student transportation.
- Opportunities to strengthen Transportation budget process to include Special Education (SPED) and School Grant Departments.
- Certain challenges (i.e. bus driver shortage, FY17 changes to McKinney-Vento Law (MV), change to school start times, and new bus routing software) left Transportation unprepared for MV and SPED student transportation needs.
- Transportation did not review specialized transportation vendor invoices.
- Transportation did not verify Special Education student eligibility before arranging contracted transportation.
- School Title I Grant Office identified funding issue and notified School Management, but expenditures were still approved.

Management concurred with 6 of 6 recommendations.

Social Media Special Project

During Internal Audit's participation in the County's Summer 2019 Intern Program, we developed this special project to evaluate County department social media use for policy compliance.

We found County social media accounts were authorized and generally complied with County policy. The Communications and Media and Information Systems Technology (IST) departments should continue their social media policy update efforts to address social media environment changes and improve site management.

Management concurred with 3 of 3 recommendations.

AUDIT REPORTS

Non-Audits:

CDBG/HOME Program Organization Audit Reports FY21

Community Enhancement provides Internal Audit with recent annual audit reports of CDBG and HOME program applicants to perform a technical evaluation. Community Enhancement provided 14 financial reports received in calendar year 2019 for evaluation; 10 from organizations previously awarded funds and two from new applicants being considered for FY2021 funding. We noted and communicated with management:

- Unmodified CPA opinion (13 reports, including 1 special-purpose financial report)
- Provided report did not meet audited financial statement requirements (1 report)
- Provided report was not for the most recently completed fiscal year (5 reports)
- Audit findings, segregation of duties, reconciliation, and federal non-compliance (2 reports)
- CDBG funding excluded from Organization's audited financial statements (2 reports/1 entity)
- Required certification of federal grant expenditures was not provided (6 reports)
- Concentration risk, significant support from limited number of sources (6 reports)

Community Organizations Applying for FY21 Donations

Budget and Management requested Internal Audit's technical assistance in evaluating financial statements from Community Organizations applying for FY21 donations of more than \$25,000. Management uses our evaluation information as general reference for their evaluation of FY21 funding requests. Budget and Management provided two applicants' financial statements for evaluation. We noted and communicated with management:

- Unmodified CPA opinion (one applicant)
- Audited financial statements not provided (one applicant)
- Concentration risk disclosure, significant portion of support from limited number of donors/grantors (one applicant)

FY19 APA Comparative Report Analysis

Annually, Internal Audit evaluates and summarizes certain APA Comparative Report information. All Virginia counties, cities, and certain towns are required to provide fiscal year financial information to the Virginia Auditor of Public Accounts (APA) annually for preparation of the Comparative Report of Local Government Revenues and Expenditures (Comparative Report), in accordance with Section 15.2-2510 of the *Code of Virginia*.

We share results with County and School management for reference and continued analysis of possible improvement opportunities. Our report compares key revenue, cost, and demographic data for selected localities. We evaluate and summarize the top ten populated localities, which maintains our relative peer group and includes all localities with populations over 200,000.

AUDIT REPORTS

Fraud, Waste and Abuse Hotline Program FY19 Report

The annual Hotline program activities report was issued for the fiscal year ended June 30, 2019. The County's 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.

During the fiscal year, Internal Audit began issuing 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).

The investigation results are provided to department 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.

During FY19, Internal Audit received 19 allegations from management, employees, citizens and anonymous sources. Seventeen cases were completed (seven investigations, ten referrals), including three initiated in the prior fiscal year. There were five pending cases carried over to the next fiscal year.

FY20 Audit Follow-Up

Internal Audit's annual follow-up process is the formal organizational procedure that provides a comprehensive snapshot to senior management for ongoing monitoring. County Administrative Procedures require the Auditor to furnish the County Administrator and School Superintendent with a summary of all material unresolved comments, recommendations, and management responses on a regular basis. Follow-up was conducted with departments on open audit recommendations from calendar year 2019 and prior.

Departments continued to make progress addressing audit recommendations.

- 58% of recommendations issued calendar year 2019 are already closed. This closure rate decreased from 83% in calendar year 2018.
- For the 118 open items remaining, management estimates completing 62% by December 31, 2020, and 96% by December 31, 2021.

Most audit recommendations are addressed by management in less than a year. However, certain items are, by design, long-term in nature and can extend beyond a department's existing resources. 19 open recommendations are more than five years old (issued prior to calendar year 2015), which is a 17% decrease from prior year. These longer-term items can require budget approval, multi-year funding, technology investments, staff resources, training and development, and policy and ordinance considerations.

FY21 Audit Plan

County Policy 8-1 requires Internal Audit provide an audit plan for Audit and Finance Committees 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. The plan was approved June 1, 2020 by the Joint AFC Committee and June 9th, 2020 by the School Board. A full list of planned projects is available online.

AUDIT REPORTS

Internal Audit FY19 Report Card

The Report Card provides a summary of past fiscal year work efforts. Significant fiscal year 2019 activities included:

- Strengthened technology audit focus.
- Continued support of AFC public discussion of audit results and practices.
- 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 professional organizations for education and networking opportunities. Includes service in organization officer roles (Vice-President 2018 and President 2019).

Volunteer Fire and Rescue Organization Audit Reports Submitted in CY19

Fire & EMS's Finance Procedure #01 – Annual Financial Audit Report for Volunteer Fire & EMS Departments states that Chesterfield County Internal Audit Department will provide technical expertise with understanding and evaluating volunteer organizations' audit reports received by Fire & EMS. Our evaluation included consideration of the audit opinion, reported findings, and disclosures to identify potential concerns.

Fire & EMS provided four reports received from volunteer fire and rescue organizations in calendar year 2019. Evaluation detail by organization is note below:

- Unmodified CPA opinion (three organizations).
- Modified CPA opinion, no controls over receipts prior to accounting entry (one organization).
- Provided report was not for the most recently completed fiscal year (two organizations).
- Concentration risk, significant support from limited number of sources (two organizations).

AUDIT REPORTS

Projects in progress at June 30, 2020:

At the close of FY20, several projects remain in progress. The list below outlines audit objectives for each. Projects are in various audit phases and may have adjustments to objectives at any time. We look forward to providing these reports for management review soon.

- Community Enhancement Internal Control Self-Assessment
 - A non-audit service to assist Community Enhancement in completing an internal control self-assessment on the revitalization program.
- Parks and Receptions, Concessions Stands Leases and Leases (Softball, etc.)
 - Compliance with lease requirements
 - Controls for monitoring/tracking compliance with requirements
 - ActiveNet software
- Schools, IT Risk Assessment
 - IT governance and organization
 - Information security administration
 - End-user support and service level agreements
 - Computer and data center operations
 - Disaster recovery policies and procedures
- Social Services, General Relief
 - Eligibility determination
 - Renewal/recertification process
 - Dynamics system
- Risk Management, Claims Administration and Workers Compensation
 - Worker's compensation lost-time payment process
 - Analysis of budgeting strategies for workers compensation liabilities
 - Determine if claims administration system meets contract requirements.
- Utilities, Customer Information System
 - Physical and logical controls
 - System controls restriction of unauthorized data access
 - Security management and administration roles assignments
 - Update and patching procedures
 - Malicious code/attack controls
- Schools, Student Enrollment
 - Reliability of student residency and documentation used for enrollment
 - Student enrollment projection methodology and use in capital project planning
 - Synergy system to meet student enrollment needs

FOLLOW-UP

Per County Policy 8-1 Internal Audit Introduction, Department staff routinely follow-up on all open audit recommendations to determine if management has sufficiently addressed our audit findings. We communicate our activities in a formal report provided to management, post our results online, and present to the AFCs.

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 62% of open items by December 31, 2020 and 96% by December 31, 2021. Additional information is available in our [FY20 Audit Follow-Up](#) report.

The ALGA survey indicates that, like Chesterfield, over 90% of audit departments have formal follow-up procedures to check progress towards implementing corrective actions. The table below compares Chesterfield County Internal Audit's number of new recommendations to the ALGA benchmarking survey.

AUDIT RECOMMENDATION STATISTICS BY FISCAL YEAR				
Recommendations	2018	2019	2020	ALGA 2018 Benchmark
New	118	89	149	84
Closed	106	103	103	N/A
Open	86	72	118	N/A

FRAUD, WASTE AND ABUSE PROGRAM

The Fraud, Waste and Abuse 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.

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.

Reports to the hotline can be made anonymously by:

- Phone, (804) 318-8000
- Mail/In-Person, 9901 Lori Road,
P.O. Box 40 Chesterfield, VA 23832
- Email, Audit@Chesterfield.gov and
- Online, Chesterfield.gov/ReportFraud



Internal Audit received 30 allegations in FY20.

29 cases were completed and included four investigations and 25 referrals. For allegations received, Internal Audit attempts to speak directly with the complainant, when known, to fully understand all aspects of the complaints (i.e. suspect(s), time, location, evidence, how observed, and allegation details).

Internal Audit evaluates each allegation 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, or
- Insufficient information to initiate an action, or no action required.

Internal Audit issues Hotline Allegation Summary Reports to department management for each hotline call/allegation received. During FY20, we issued 28 Summary Reports to management and when applicable, Human Resources for determining disciplinary action. Summary Reports include information such as: department, allegation type, description, source, handling, methodology, whether substantiated, employee(s), result, corrective action(s), and management response(s). In certain cases, process improvements are recommended to improve internal controls. The AFCs are provided periodic program updates.

In addition to reducing losses and protecting the County’s and School’s assets; the Fraud, Waste, and Abuse 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 upon request.

THE TEAM

This year, our team worked hard to improve our office, our profession and themselves. Internal Audit recognizes the importance of professional development, continuous learning, serving the community, and promoting a work-life balance. Team members met high standards this year through professional learning, involvement in professional organizations, obtaining professional certifications, and community service.

The Department is committed to attracting, supporting, and retaining an educated and well-qualified staff to carry out our mission. Employees hold several advanced degrees and 75% have obtained at least one professional certification. Currently, those include: four certified public accountants (CPA), one certified internal auditor (CIA), two certified information systems auditors (CISA), four certified fraud examiners (CFE), and a chartered global management accountant (CGMA).



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Christian Wingfield, MAcc, Staff Auditor

Annette Stinson, Administrative Analyst

THE TEAM

Professional Development:

We are proud to recognize two team members who obtained professional certifications during FY20. Jim Boudreau earned the Certified Fraud Examiner credential from the Association of Certified Fraud Examiners which demonstrates knowledge in four critical areas: fraudulent financial transactions, fraud prevention and deterrence, legal elements of fraud, and fraud investigation. Steve Sanderson earned the Certified Information Systems Auditor (CISA) credential from ISACA. The CISA designation is a globally recognized certification for information systems audit control, assurance, and security professionals. The CISA certification demonstrates Mr. Sanderson has the knowledge and skills to audit all areas related to information systems. Steve and Jim's commitment to professional development strengthens our team and we appreciate their efforts.

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)
- Information Systems Audit and Control Association (ISACA)
- Institute of Internal Auditors (IIA)
- Virginia ACL Users Group
- Virginia Local Government Auditors Association (VLGAA)



Our Department currently has several staff who serve on professional association governing committees. Jim Boudreau recently began serving on the ALGA Professional Issues Committee and Terry Parker on the ALGA Membership Committee. Steve Sanderson currently is both an At-Large and Communications Committee member in VLGAA. Additionally, Mr. Sanderson serves as Treasurer for the Virginia ACL Users Group.

Audit Experience:

Sixty percent of ALGA survey respondents indicate that their staff have more than 10 years audit experience. Due to recent turnover in our department, Chesterfield County's Internal Audit office lags the national benchmark with an average of 4 years performance audit experience (If the one long-term employee is removed from the calculation, the average falls to 2.5 years).

Continuing Education and Training:

Our Department provides relevant and required training for all staff. We also commit to fulfilling required continuing education to maintain professional certifications as budget allows. For FY20, auditors received an average of fifty hours of both continuing education and County required training. Auditors participate in a variety of formats to complete requirements such as conferences, webinars, self-study, and certification preparation.

THE TEAM

Retention and Turnover:

When fully-staffed our department includes eight full-time auditors, one part-time auditor and an Administrative Analyst. Due to a retirement, internal promotion, hiring freeze and furlough, Internal Audit ended the fiscal year with a 21% vacancy rate. These vacancies significantly impact our available audit hours which led us to present a modified FY21 Audit Plan.

COVID-19 Response:

Like all other departments in Chesterfield County, our employees experienced swift and significant change related to the spread of COVID-19 in Spring of 2020. Because of our frequent offsite work with auditees, we were equipped to shift into the telework environment without significant delay. We pivoted to flexible scheduling for all team members in order to fulfill roles at home or redeployment obligations. We temporarily placed projects on hold for those auditees whose departments were actively involved in the County emergency response. As a result, our employees had opportunities to participate in several response efforts summarized below:

- Central Virginia All Hazard Incident Management Team – Joined the Finance Unit to organize foundations and ensure assistance was routed to the correct localities as well as data analysis and reporting to assist management with decision making. Employees also helped the Planning Situation Unit Leader by providing research support for the daily situation report.
- Emergency Operations Command Call Center – Directed callers to relevant resources.
- Commissioner of Revenue – Provided administrative support through reopening and tax season.
- Treasurer – Provided cashier support through reopening and tax season.

After transitioning to virtual meetings and online document review, our office has resumed mostly normal operations while we continue to telework. Following County guidance, our team has remained healthy and safe and we look forward to returning to the office when appropriate.

Community Service



Chesterfield County allows employees to participate in 24 hours of community service on an annual basis. Internal Audit encourages all team members to be active in our community by taking advantage of this benefit by organizing community service activities. Through March 2020, seven employees donated an average of 8 hours by participating in Habitat for Humanity, Chesterfield/Colonial Heights Alliance for Social Ministry Thanksgiving Meals, and Communities in Schools Bus Tours. We look forward to resuming our community service activities soon and strive for 100% employee participation in FY21.

THE TEAM

County Involvement:

We were also very pleased to host an intern during the FY19 Summer Internship Program. Our summer intern is a sharp and engaged student who made the most of her time with us. Her project work was featured in our Social Media Special Project report. Since then, she has graduated college with an accounting degree and accepted a position with Brown Edwards, a public accounting firm. We are extremely proud of her and wish her the best in her career.



FY19 Summer Internship Program



Model County Government

We were thrilled to participate in Chesterfield County's Model County Government again this year. We hosted two excellent students from Monacan and Thomas Dale High schools. We thoroughly enjoyed sharing our knowledge of local government and information about careers in Internal Audit.

Culture:

Internal Audit works hard to provide a positive and supportive work culture for all employees and have implemented several strategies to achieve that goal. We continue to participate in and encourage telework for all employees and flexible scheduling for work-life balance. We have a robust employee appreciation program which includes recognition leave, employee of the year acknowledgement, employee birthdays, and anniversary celebrations. We hope our employees feel like part of a team and realize their efforts do not go unnoticed.

Our team-building committee brought the office together for some fun relationship building activities including a holiday party and gift exchange, dress-up days, the annual Fall retreat, and a low-country boil summer party. Thanks to the committee members, Terry Parker, Christian Wingfield, and Sandra Fuentes for your fun ideas and organization!