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Ryan Gartin, Audit Manager
Jim Boudreau, Senior Auditor
Lora Holland, Senior Auditor
Terry Parker, Senior Auditor
Audrey Weatherholtz, Staff Auditor
Christian Wingfield, Staff Auditor

Fraud, Waste, and Abuse Hotline Program FY21 Report

July 9, 2021



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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: July 9, 2021

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 FY21 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, 2021. 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

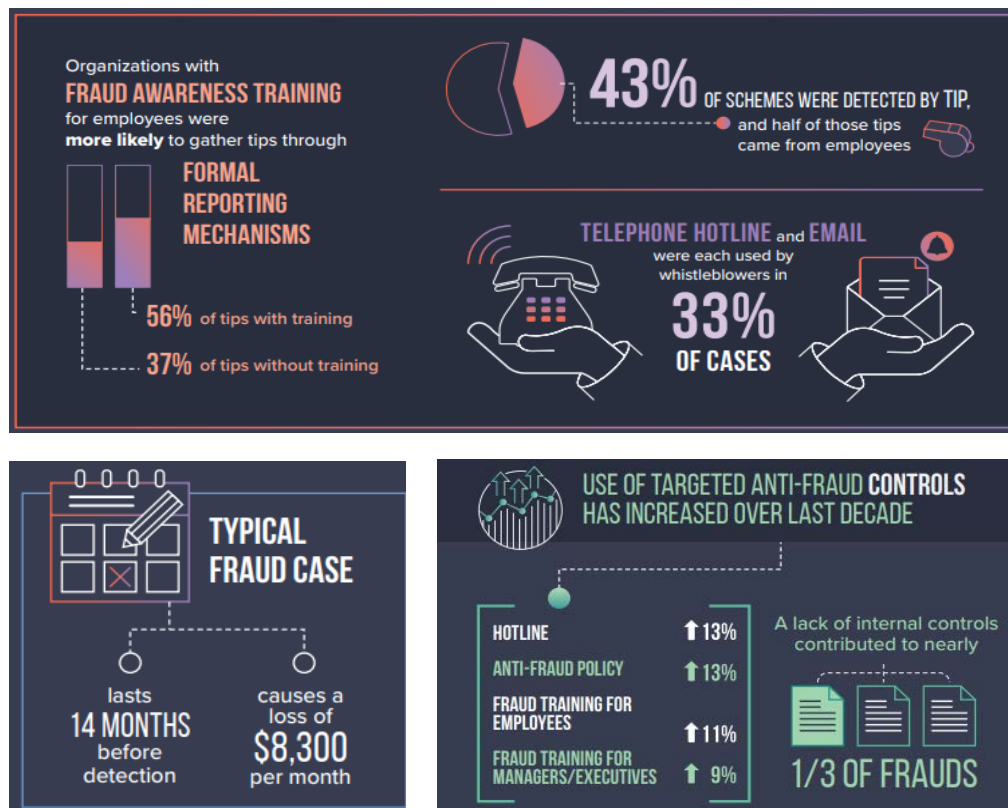
- Implement a Fraud Hotline.** Tips are the most common initial fraud detection method (43% according to the ACFE). Providing an anonymous reporting system for your employees, contractors and clients will help uncover more fraud.

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 or the [Public Portal for Concerns and Assistance](#).

- 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 biannual 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.

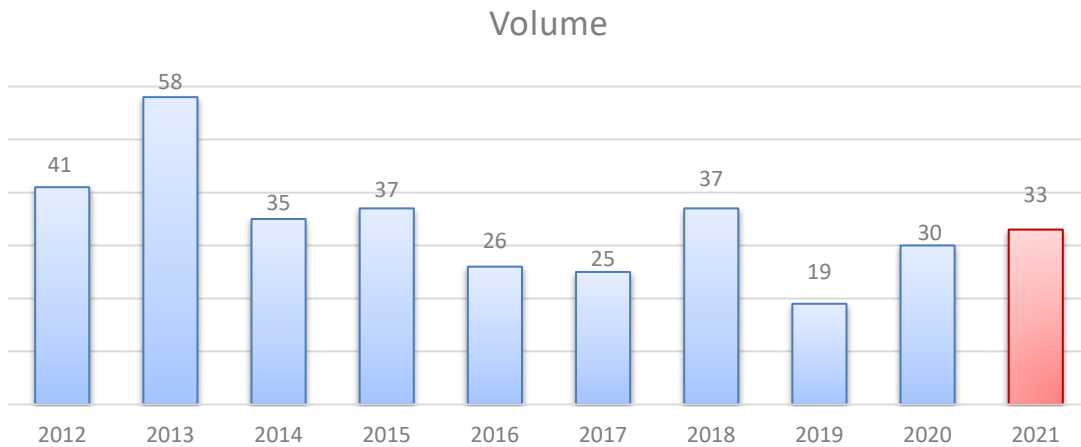


Source: ACFE 2020 Report to the Nations, pages 4-5

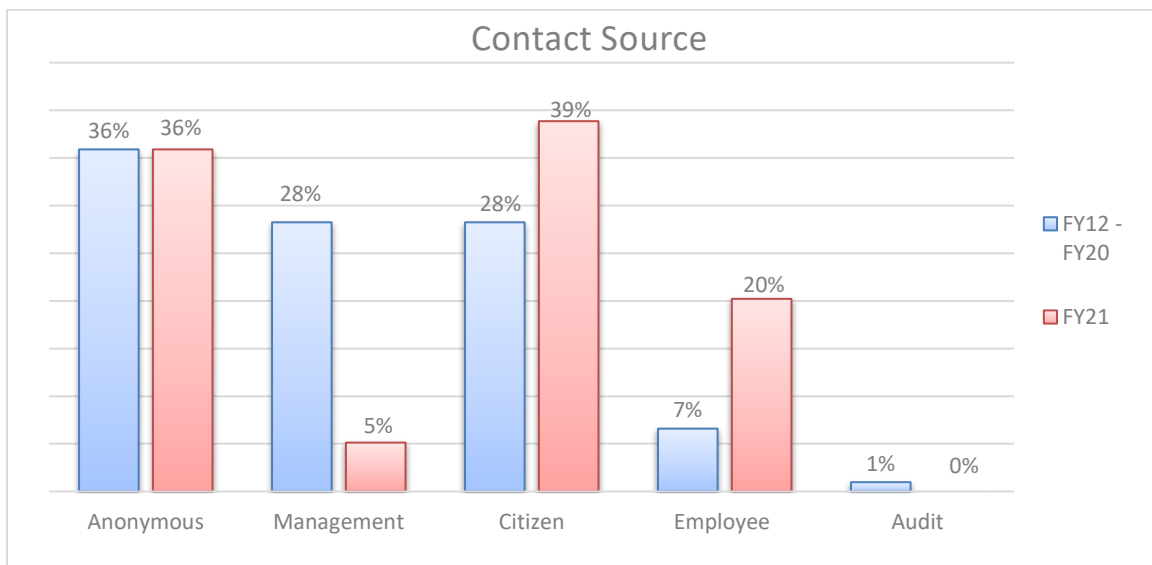
ALLEGATIONS RECEIVED

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 33 allegations in FY21. Fiscal year allegation volume for the last 10 years is illustrated below:



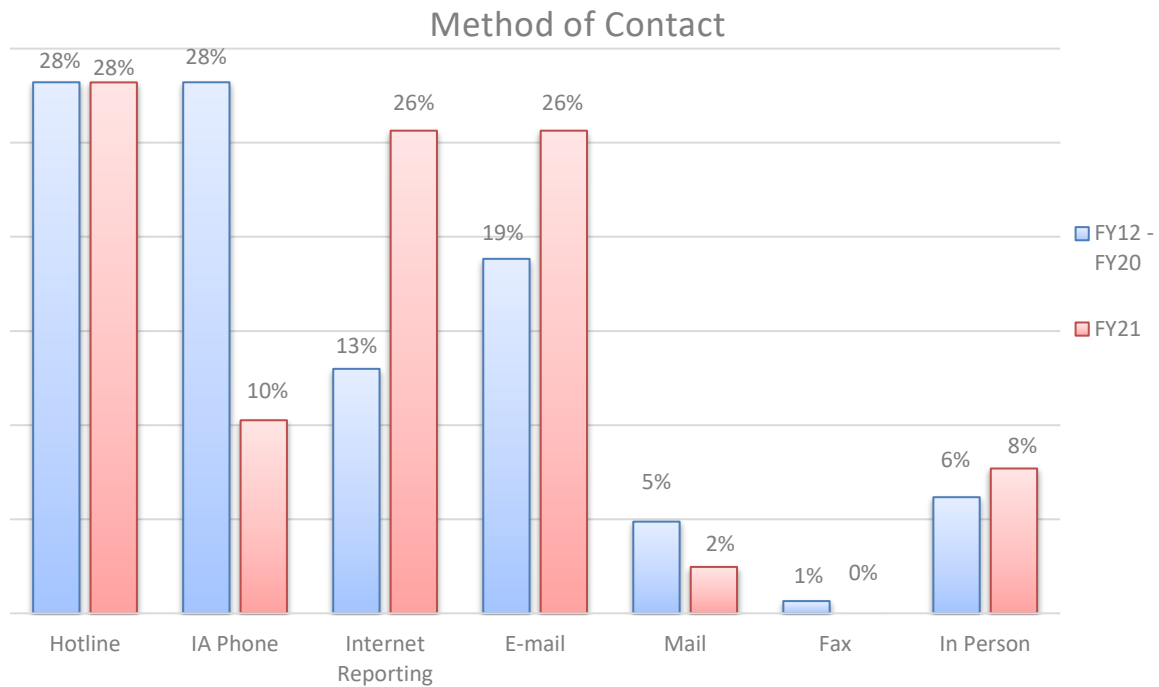
FY21 allegation sources are compared to prior 9-year history below:



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. FY21 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.

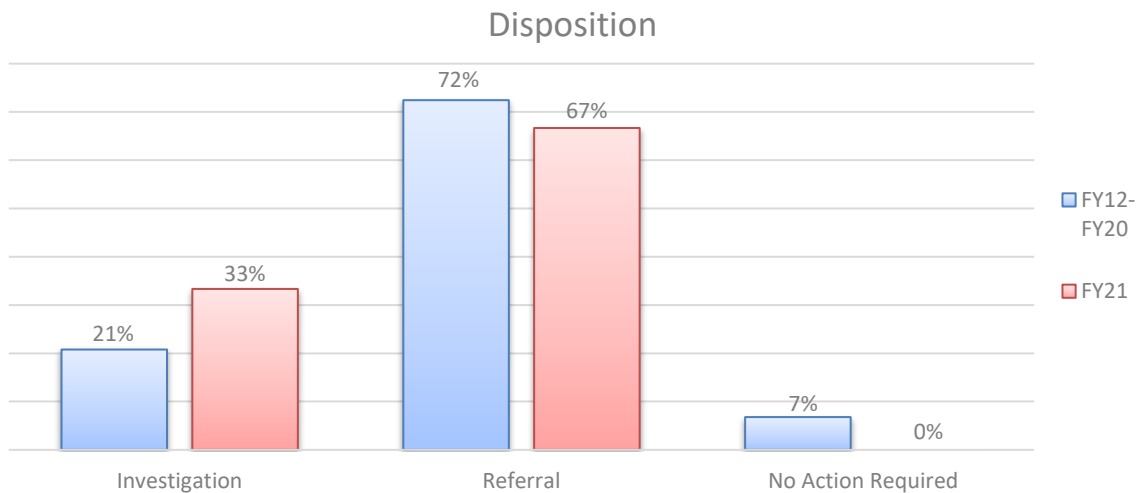
The investigation results are provided to management and, when applicable, to Human Resources for determining employee disciplinary action. In certain cases, process improvements are recommended to improve internal controls. The Audit and Finance Committees are provided periodic Hotline updates at meetings.

There were 36 cases completed in FY21, including 6 initiated in the prior fiscal year:

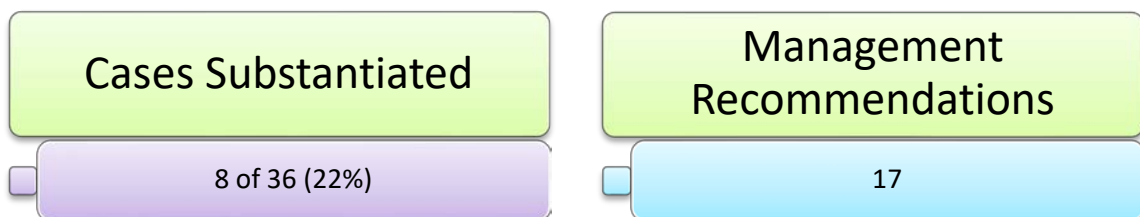
- 12 Investigations (summarized starting at page 6)
- 24 Referrals (summarized starting at page 9)

There are 3 pending cases being carried over to the next fiscal year.

FY21 allegation handling is compared to prior 9-year history below:



FY21 allegation substantiation and recommendation summary below:



COMPLETED INVESTIGATIONS

Department	Allegation (Source) Case #	Substantiated (Report date)	Result
General Services, Fleet Management Division	Employee Time Abuse (Citizen) 2021-0018	No (12/6/20)	Signage is not present for tech-on-station program that identifies why the vehicle is there (i.e. program name and service hours). We reviewed Fleet Management's internal policy (Operational Control 3.7 – Road Calls) and confirmed with management that there is no employee guidance for employee downtime expectations. Fleet Management concurred with the two recommendations IA provided.
Information Systems Technology (IST)	<i>Confidential, FOIA Exempt §2.2-3705.2(2): System Security</i> (Employee) 2020-0018	Yes (10/9/20)	<i>Confidential, FOIA Exempt §2.2-3705.2(2): System Security</i> IST Management concurred with the three recommendations IA provided.
Matoaca Elementary and Ettrick Elementary Schools	Employee Time Abuse (Anonymous) 2021-0010	No (9/30/20)	CCPS Management did not provide official guidance for reporting employee time during pandemic. After CCPS Facilities and Management provided detailed work expectations June 1, 2020, no employees are working from home.
O.B. Gates Elementary School	School Technology Policy Violation (Employee) 2021-0017	No (12/16/20)	O.B. Gates ES did not have a log indicating date loaners are borrowed and returned. Additionally, there is no formal loaner computer procedure to determine if an employee violated the authorized purpose for loaner. O.B. Gates ES Management concurred with the two recommendations IA provided.
School Department of Compensation and Benefits	Supplemental Retirement Benefit Fraud (Citizen) 2021-0011	No (10/5/20)	Employee meets requirements for CCPS Supplemental Retirement Program participation.

COMPLETED INVESTIGATIONS

Department	Allegation (Source) Case #	Substantiated (Report date)	Result
School Facilities and Maintenance	Waste of Taxpayer Dollars (Anonymous) 2021-0004	No (8/27/20)	Schools followed Virginia Code and applicable County and School policies for FY21 custodial contract and awards process.
School Facilities and Maintenance	Employee Time Abuse (Anonymous) 2021-0006	Yes (9/29/20)	School Facilities and Management were not documenting employee's flexible work schedules. We provided four recommendations for improving employee schedule documentation and commuter vehicle procedures to include personal-use documentation for IRS compliance. School Management concurred with the four recommendations IA provided.
School Facilities and Maintenance	Waste of Resources (Anonymous) 2021-0008	No (10/13/20)	A centralized School recycling program is not present requiring recyclable sorting. However, F&M is currently reviewing possible recycling programs based on feasibility.
School Facilities and Maintenance	Waste of Resources (Citizen) 2021-0013	Yes (11/2/20)	Schools misinterpreted a services contract clause. As a result, Schools did not follow County Procurement policies and have not obtained a separate vendor contract for power washing services. Power washing services have already been completed for elementary schools but were halted for middle and high schools. School Management concurred with the two recommendations IA provided.
School Finance	Employee Fraud and Forgery (Management) 2021-0002	Yes (9/30/20)	Schools accepted employee's resignation and no criminal charges were filed.

COMPLETED INVESTIGATIONS

Department	Allegation (Source) Case #	Substantiated (Report date)	Result
School Special Education	Student Record Tampering (Citizen) 2021-0030	No (6/2/21)	<p>CCPS did not intentionally delete special education documents. However, the department was unable to provide audit log entries. The system vendor stated they could assist department with support demonstrating records were not deleted.</p> <p>School Management concurred with the recommendation IA provided.</p>
School Student Transportation	Waste of Resources (Anonymous) 2021-0019	Yes (12/11/20)	<p>There were two days (November 30 and Dec 1, 2020) Student Transportation used 144 regular education buses and 115 special education buses to transport 760 cohort one students.</p> <p>On December 3, 2020, Student Transportation adjusted routes to use the 115 special education buses to transport all 760 cohort one students, no longer requiring the additional 144 regular education buses.</p>

REFERRALS

Department	Allegation (Source) Case #	Substantiated (Report date)	Result
Environmental Engineering	Illegal Dumping by Citizen (Anonymous) 2021-0025	No (3/5/21)	Environmental Engineering did not substantiate the allegation.
Environmental Engineering	Drainage Violation by Citizen (Anonymous) 2021-0027	No (4/6/21)	Environmental Engineering did not substantiate the allegation.
Fire and EMS	Vehicle Policy Violation (Anonymous) 2021-0020	No (12/3/20)	While under the current state of emergency for COVID-19, the Fire Chief has authorized the alleged employee living outside the County to commute for incident response and work travel. When state of emergency for COVID-19 ends, the Fire Department will revert to standard vehicle policy prohibiting employees from using assigned vehicles for commuting outside the County.
Libraries	Waste of County Resources (Citizen) 2020-0027	Yes (8/08/2020)	<p>Library Management and IST Desktop Support confirmed Library computers are left on for nightly updates. However, Library staff are responsible for powering down monitors daily.</p> <p>Libraries Management concurred with the two recommendations IA provided.</p>
Manchester High School	Personnel Policy Violation (Employee) 2021-0009	Unknown (9/15/20)	Internal Audit coordinated a meeting between the employee and CCPS HR Department Management. The meeting occurred September 10, 2020.

REFERRALS

Department	Allegation (Source) Case #	Substantiated (Report date)	Result
Mental Health Support Services	Unsafe Workplace Environment (Employee) 2021-0001	Yes (7/16/20)	MHSS management informed the employee an investigation was in progress and disciplinary action would follow. Employee returned to work after the investigation concluded, but before disciplinary action was received. MHSS Management concurred with the recommendation IA provided.
N/A – External Organization	Mismanagement by External Organization (Citizen) 2020-0010	Unknown (9/4/20)	Matter forwarded to Chesterfield County’s and Chesterfield County School’s representatives for external organization to evaluate.
O.B. Gates Elementary School	Personnel Policy Violations (Employee) 2021-0016	No (12/17/20)	School Human Resources confirmed no violations were found.
School Facilities and Maintenance	Procurement Policy Violation and Personnel Matter (Employee) 2021-0026	No (6/11/21)	Procurement Policy Violation: There was not enough evidence provided to determine a violation had occurred. Personnel Matter: IA and School Human Resources could not substantiate the personnel matter.
School Nutrition and Food Services	Food Theft (Anonymous) 2021-0014	No (12/2/20)	Internal Audit and School Food and Nutrition Services were unable to substantiate the allegation.
Sheriff’s Office	Unlawful Imprisonment (Citizen) 2020-0015	No (7/15/20)	An inmate transferred from Chesterfield County Jail to Riverside Regional Jail Authority had an Immigration and Customs Enforcement (ICE) detainer. However, the inmate was legally held and transferred due to local Circuit Court charges.

REFERRALS

Department	Allegation (Source) Case #	Substantiated (Report date)	Result
Social Services	Child Neglect (Anonymous) 2020-0030	No (7/2/2020)	Social Services was unable to perform an investigation because the citizen was no longer residing at the address provided.
Social Services	Financial Assistance Fraud by Citizen (Anonymous) 2020-0022	No (8/26/2020)	Social Services did not find issue with financial assistance from Chesterfield County.
Social Services	Financial Assistance Fraud by Citizen (Anonymous) 2021-0003	No (8/26/2020)	Social Services did not find issue with financial assistance from Chesterfield County.
Social Services	Financial Assistance Fraud by Citizen (Anonymous) 2021-0005	Yes (10/5/2020)	Social Services substantiated the allegation.
Social Services	Financial Assistance Fraud by Citizen (Anonymous) 2021-0007	No (10/5/2020)	Social Services did not find issue with financial assistance from Chesterfield County.
Social Services	Financial Assistance Fraud by Citizen (Citizen) 2021-0012	Unknown (10/5/2020)	Allegation is currently under investigation.
Social Services	Financial Assistance Fraud by Citizen (Citizen) 2021-0015	No (10/29/2020)	Social Services did not find issue with financial assistance from Chesterfield County.
Social Services	Financial Assistance Fraud by Citizen (Citizen) 2021-0021	No (12/9/20)	Social Services did not find issue with financial assistance from Chesterfield County.
Social Services	Financial Assistance Fraud by Citizen (Anonymous) 2021-0022	No (1/19/21)	Social Services was unable to substantiate the allegation.
Social Services	Financial Assistance Fraud by Citizen (Citizen) 2021-0023	No (1/19/21)	Social Services did not find issue with financial assistance from Chesterfield County.
Social Services	Financial Assistance Fraud by Citizen (Citizen) 2021-0024	No (1/29/21)	Social Services was unable to substantiate the allegation.

REFERRALS

Department	Allegation (Source) Case #	Substantiated (Report date)	Result
Social Services	Financial Assistance Fraud by Citizen (Anonymous) 2021-0028	No (4/8/21)	Social Services did not find issue with financial assistance from Chesterfield County.
Social Services	Financial Assistance Fraud by Citizen (Anonymous) 2021-0029	No (4/19/21)	Social Services was unable to substantiate the allegation.

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.