



Providing a FIRST CHOICE
Community through
Excellence in Public Service

FY21 Internal Audit Annual Report

July 13, 2021



CHESTERFIELD COUNTY
Internal Audit

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government internal audit departments around the country. Throughout our annual report, we provide comparisons between our Department and the 2018 ALGA report (the most recent survey). Although useful to benchmark our current operations using this report, direct comparisons are cautioned. The survey received a 38% response rate with some organizations leaving many questions blank and organizational information is submitted without verification for consistency.

I am very proud of our team and salute their FY21 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 with a mission to provide objective analysis and information to management and those charged with governance to support County and School goals benefiting 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,
- Comprehensive Annual Financial Report (CAFR) audit support,
- Special project reporting, and
- Annual follow-up procedures.



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 states 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. The Auditor is given sweeping access to all records or documents of the county and school board subject to applicable law.

Chesterfield County 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 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 RESULTS

The 2018 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, resources and the volume of special project requests.

PROJECT TYPE BY FISCAL YEAR				
Category	FY19	FY20	FY21	ALGA 2018 Benchmark
Performance Audits (includes special projects)	12	13	11	12
Other Projects (Non-Audit, Annual)	8	8	8	5
Total	20	21	19	17

A summary of our reporting and other projects is listed below. Full versions (unless FOIA exempt) of our reports are available to read on our [website](#).

Performance Audits and Special Projects:

- Community Enhancement Internal Control Self-Assessment Special Project (August 17, 2020)
- FY20 School Activity Funds (August 26, 2020)
- Teacher Bullying Special Project (October 8, 2020)
- FY20 Jail Canteen and Inmate Trust Fund (October 26, 2020)
- Parks and Recreation Concessions and Leases (October 30, 2020)
- Social Services General Relief (November 24, 2020)
- IST Payroll Batch Processing Risk Control Self-Assessment Special Project (November 30, 2020)
- Schools IT Risk Assessment (March 25, 2021)
- Schools Student Enrollment (April 21, 2021)
- Human Resources Candidate Recruitment and Selection (April 29, 2021)
- Schools FOIA Request and Information Redaction Processes Special Project (June 3, 2021)

Non-Audits:

- Fraud, Waste, and Abuse Hotline Program FY20 Report (July 14, 2020)
- FY20 Internal Audit Annual Report (July 31, 2020)
- Community Organizations Applying for FY22 Donations (December 18, 2020)
- CDBG & HOME Organizations and FY22 Applicants (February 19, 2021)
- FY21 Audit Follow Up (February 25, 2021)
- Volunteer Fire and Rescue Organization Audit Reports Submitted in CY20 (March 16, 2021)
- Internal Audit FY22 Audit Plan (June 8, 2021)
- FY20 Comparative Report of Local Government Revenues and Expenditures Analysis (June 25, 2021)

AUDIT RESULTS

Other completed projects not included in ALGA benchmarking survey:

- External Audit Support
- Hanover County Peer Review participation
- Thirty-six Fraud, Waste, and Abuse Hotline program summary reports

Like Chesterfield, ALGA reports that 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	FY21	ALGA 2018 Benchmark (6-10 Audit Staff)
Audit Hours	51%	51%	56%
Non-Audit Hours ¹	14%	13%	14%
Indirect Hours ²	15%	20%	15%
Benefit Hours ³	12%	16%	15%
Redeployment ⁴	8%	N/A	N/A

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

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, parental, civil and recognition leave.

⁴ Staff supported COVID-19 response in FY20 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. If rated below satisfactory, management follows-up with auditees for potential improvement areas. During FY21, we had an 88% survey response rate.

CUSTOMER SATISFACTION RATINGS BY FISCAL YEAR				
	FY19	FY20	FY21	ALGA 2018 Benchmark
Chesterfield Internal Audit	4.6	4.3	4.4	90% of respondents report 4.1 – 5.0

Triennially, the Department participates in a peer review performed by a professional, nonpartisan ALGA group utilizing GAGAS standards. A copy of our review is furnished to the County Administrator, School Superintendent, and boards through the AFCs. Our October 2017 peer review marks 21 consecutive years of program participation. Our 2020 Peer Review has not been completed since the program was placed on hold due to COVID-19. In June 2021, the Peer Review program was resumed, and we have requested our evaluation.

AUDIT RESULTS

Projects in progress at June 30, 2021:

At the close of FY21, several projects are 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.

- Accounting Revenue Collections
 - Evaluate internal controls over cash handling, receipt, and void processes.
 - Assess deposit processes for cash receipts made to Treasurer and approved financial institutions.

- Economic Development
 - Compare current business assistance activities to identify potential service improvements.
 - Analyze local business incentive programs for compliance with requirements.
 - Evaluate local process for distribution of CARES funded business grants for compliance with requirements.
 - Review departmental policies, internal procedures and agreements to determine completeness.

- IST, Data Governance and Application Security
 - Determine if an effective data governance framework is present that provides application security guidance and establishes efficient data management requirements.
 - Review technology contract procurements and verify if application security requirements are present.
 - Review recent technology procurements and document IST's involvement.
 - Determine if the pandemic influenced application security controls.

- Schools, Major Maintenance
 - Compare Facilities Condition Assessment recommendations to subsequent Schools' major maintenance activities.
 - Determine if current facilities maintenance processes comply with policies and procedures.

- Utilities, Customer Information System
 - Verify physical and logical controls.
 - Test system controls operate as intended to restrict unauthorized data access.
 - Confirm security management and administration roles and responsibilities have been clearly and appropriately defined for system support.
 - Evaluate CIS system update and patching procedures.
 - Review malicious code/attack controls for CIS.

FOLLOW-UP

Per Policy 8-1 Internal Audit Introduction, Department staff routinely follow-up on all open audit recommendations to determine if management has sufficiently addressed 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. Our [FY21 Audit Follow-Up](#) report acknowledged management is working to address open recommendations and estimates completing 89% of open items by December 31, 2021 and 95% by December 31, 2022.

Like Chesterfield, the ALGA survey indicates that 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 CALENDAR YEAR				
Audit Follow-Up report	CY19	CY20	CY21	ALGA 2018 Benchmark
New	89	149	101	84
Closed	103	103	87	N/A
Open	72	118	132	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 or the [Public Portal for Concerns and Assistance](#).



Internal Audit received 33 allegations in FY21. 36 cases were completed and included 12 investigations and 24 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 FY21, we issued 36 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 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 program 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

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, 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: three certified public accountants (CPA), two certified internal auditors (CIA), three certified information systems auditors (CISA), four certified fraud examiners (CFE), and a chartered global management accountant (CGMA).

Khara L. Durden, CPA, CISA, CFE, Director **Lora Holland**, CPA, CGMA, Senior Auditor
Steve Sanderson, CIA, CISA, CFE, Asst. Director **Terry Parker**, CFE, Senior Auditor
Ryan Gartin, CIA, CISA, Manager **Audrey Weatherholtz**, Staff Auditor
Jim Boudreau, CPA, CFE, Senior Auditor **Christian Wingfield**, Staff Auditor

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. Khara Durden is a board member of the Virginia Chapter of ISACA. Steve Sanderson is a board member for VLGAA and ACL Users Group and Jim Boudreau, Terry Parker and Christian Wingfield are ALGA committee members.

Audit Experience and Staffing:

Sixty percent of ALGA survey respondents indicate that their department staff have more than 10 years average audit experience. In this one area, Chesterfield County's Internal Audit office lags the national benchmark with a staff audit experience average of 4.6 years. After removing the one long-term employee, the average experience falls to 2.7 years.

When fully-staffed our Department includes nine full-time auditors, one part-time auditor and a part-time Administrative Analyst. Our FY21 vacancy rate of 25% significantly impacts our available audit hours and resulted in a modified FY22 Audit Plan.

THE TEAM

Continuing Education and Training:

Our Department provides relevant and required training for all staff. As budget allows, we support continuing education to maintain professional certifications. Auditors participate in a variety of formats to complete requirements such as virtual conferences, webinars, self-study, and certification preparation. For FY21, auditors received an average of sixty-four hours training which included required continuing education, County specific trainings, annual staff retreat and Department new employee training.

Community Service:



Earth Day Clean Up at Dutch Gap

Chesterfield County provides each employee the opportunity to utilize 24 hours of community service on an annual basis. Internal Audit encourages all team members to participate in Department organized community service activities. During FY21, 100% of our employees donated community service time to a variety of non-profit organizations such as CCHASM, the Chesterfield Food Bank and participation in local Earth Day clean-up activities.

Culture:

Internal Audit works hard to provide a positive and supportive work culture for all employees and has implemented several strategies to achieve that goal. We support 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, birthday and work anniversary celebrations and our Microsoft Teams Kudo's Kolumn. In addition, our team-building committee brings the office together for relationship building activities on a regular basis.

Awards and Recognition:

Internal Audit was recognized with an FY21 achievement award from the National Association of Counties (NACo). The award honors innovative, effective county government programs that strengthen resident services. NACo recognized Internal Audit's Fraud, Waste and Abuse Program in the category of Civic Education and Public Information.

