



Chesterfield County, Virginia Internal Audit

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DATE: March 8, 2019

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

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

FROM: Greg L. Akers 
Director of Internal Audit

SUBJECT: Planning Proffers and Conditions Audit

The Office of Internal Audit completed an audit of Planning Proffers and Conditions, and the final report is attached.

We thank the Planning, Budget, Building Inspection, IST, and Procurement departments for their cooperation and assistance during this audit.

Attachment

Copy: Andrew Gillies, Planning Director
Michael Tompkins, Planning Assistant Director
Meghan Coates, Budget and Management Director
Natalie Spillman, Budget Manager
Rick Witt, Building Official
Ron Clements, Assistant Building Official
Barry Condrey, IST Chief Information Officer
Keith Gagnon, Procurement Director
Bill Dupler, Deputy County Administrator Community Development
Matt Harris, Deputy County Administrator Finance and Administration
Scott Zaremba, Deputy County Administrator Community Operations



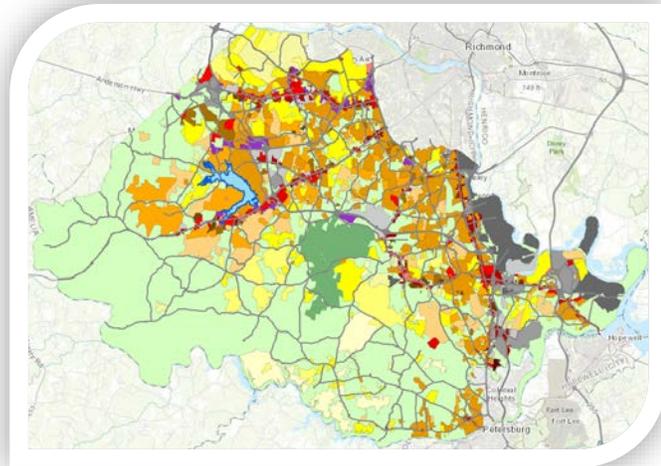
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Planning Proffers and Conditions

March 8, 2019



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Planning Proffers and Conditions

Highlights

Planning Systems

Planning uses five systems for proffers processing. Two internally developed systems are outdated. Three third-party vendor systems have an update available that has not been implemented. Additionally, Planning does not provide routine system training, document approval support for system user access, and remove system access for all separated employees.

Recommendation: Planning develop procedures for ongoing employee system training, system maintenance updates, and user access controls.

Cash Proffer Processing

Planning and Budget Departments both attend Board of Supervisor meetings to monitor and document approved zoning cases. Although zoning case approvals are effective immediately, it takes over a month before Planning updates case documentation in PIMS which is transferred to POSSE. Applicants must visit Budget to make cash proffer payments before obtaining their certificates of occupancy (CO) from Building Inspection. The POSSE system does not have cash proffer receipt module that would allow Building Inspection to process payments.

Recommendation: Planning Department make zoning case actions available immediately following meetings, and Building Inspection collect cash proffer payments (when systems make it feasible).

Proffered Conditions

Planning does not have a process to identify completeness of zoning cases in PIMS ready for POSSE transfer. Planning does not verify that the data transferred from PIMS to POSSE is complete and accurate. Additionally, there is no formal procedure to indicate which proffered conditions were significant and a review was completed.

Recommendation: Strengthen PIMS to POSSE data transfer verification, extend zoning case quality control process to include POSSE, and create a formal procedure to document the proffered condition review is performed.

ELM Project Status

ELM Project completion is uncertain. The ELM implementation was intended to replace multiple existing Community Development applications and processes, including proffer tracking, within a single system. The project missed the planned June 2017 implementation and has been placed on hold since March 2018. ELM is a software as a service (SaaS) system which requires annual maintenance, hosting, and licensing fees when beneficial use begins (i.e. before entering production). These fees began September 30, 2015 and Accela billed \$602,622 for FY16 – FY19.

Recommendation: Procurement coordinate with IST to consider opportunities to better position County on future fixed-price system development contracts that also include hosting, licensing, and maintenance fees at project start. IST strengthen system project status reports to help identify contract performance failures requiring action sooner.

Management concurred with 19 of 19 recommendations detailed in the report to be implemented from 1/30/19 to 12/31/19. Internal Audit performs annual follow-up with management to confirm implementation status.

INTRODUCTION

BACKGROUND

Proffers are voluntary promises accepted by localities to ease development impact on county infrastructure. Accepted proffers from applicants can be cash payments or conditions such as building roads, parks, etc. Proffers are established in the application process for zoning cases and are later approved by the Board of Supervisors. Chesterfield County collected \$9,997,365 and \$4,911,324 in cash proffer revenue for FY17 and FY18, respectively.

Various departments (Planning, Budget, and Building Inspection) coordinate efforts to monitor cash and proffered conditions using various systems not originally designed for this purpose. The ELM (community development enterprise system) implementation was intended to replace multiple existing Community Development systems that are dated.

OBJECTIVES

Objectives of the audit were to:

- Test Planning system user access, training, and update process.
- Verify IST service level and third-party vendor support provided for Planning systems.
- Evaluate procedures and system controls for proffer establishment, approval, recording, and monitoring.
- Evaluate ELM System implementation status.
- Report the results to Management.

SCOPE

Our audit work covered FY17, FY18, and the current operating environment. We considered the following code, policies, and procedures during our audit:

<i>Code of Virginia §15.2-2298 Additional Conditions as a Part of Rezoning or Zoning Map Amendment in Certain High-Growth Localities</i>	<i>Code of Virginia §15.2-2303 Conditional Zoning in Certain Localities</i>
<i>Budget Cash Proffer Policies</i>	<i>Global Technology Audit Guide (GTAG) 1: Information Technology Risk and Controls</i>
<i>IST 7-3 Information Security Policy</i>	<i>IST 7-5 Access to Distributed Systems</i>
<i>Procurement 12-15 Contract Administration</i>	

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Steve Sanderson, Audit Manager, and Sandra Fuentes, Staff Auditor, performed the audit work. Chesterfield County Internal Audit is a department within the organization of Chesterfield County/Schools.

METHODOLOGY

Detailed information regarding the methodology can be found in the individual findings listed in the report. Our methodology included the following: interviews, observations, data analysis, and documentation review.

INTERNAL CONTROL CONCLUSION

According to Government Auditing Standards, internal controls, in the broadest sense, encompass the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal controls include the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- accurate financial reporting; and
- compliance with laws and regulations.

Based on the results and findings of the audit test work, auditors concluded that there are several opportunities for improvement to internal control procedures to better provide reasonable assurance to assist management in meeting its missions, goals, and objectives. Recommendations specific to improving these controls can be found in detail further in the audit report.

CLOSING

We thank the Planning, Budget Management, Building Inspection, IST, and Procurement departments for their cooperation and assistance during this audit.

FINDINGS, RECOMMENDATIONS, RESPONSES

Planning Systems

(Point Sheet 2)

CRITERIA:

County Administrative Policy 7-3: Information Systems Technology (IST) – Information Security Policy describes reducing information-security risks with accurate, complete, and reliable electronic information maintenance and segregation of duties requirements for system access and security administration.

County Administrative Policy 7-5: IST – Access to Distributed Systems requires unique identification and authentication for access.

The Institute of Internal Audit's Global Technology Guide 1 recommends system controls to ensure user account and software change management.

Department specific service level agreements (SLAs) clearly communicates applications supported and services required, but not covered.

CONDITION(S):

Planning needs to establish procedures for ongoing employee system training, system maintenance updates, and user access controls. Planning uses five systems (*Figure 1.1, page 5*) for proffers processing (*Figure 1.2, page 5*). We tested Planning Department system controls and determined the following:

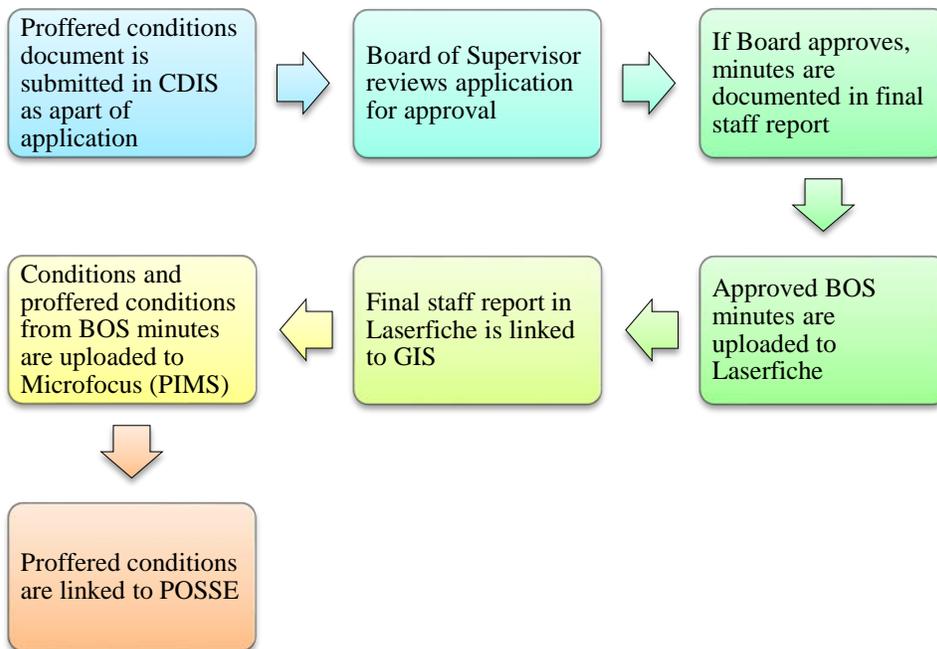
- Routine system training is not provided for employees.
- IST has not established an SLA for Planning Department but is responsible for maintaining Planning system patches/updates.
 - MicroFocus (PIMS) – 3 years old.
 - PIMS is 33 years old and ran on mainframe prior to transition to MicroFocus 3 years ago.
 - CDIS – 11 years old.
- 3 of 3 third-party vendor developed and supported systems used for proffers have an update available but have not been implemented.
- Separated employees still have system access.
 - 4 of 103 County users tested (CDIS).
- No Planning approval support for user access (CDIS, GIS, and Microfocus).
 - 15 of 15 County users tested (CDIS).
 - 6 of 6 Planning users tested (GIS).
 - 5 of 5 Planning users tested (Microfocus).
- System does not show permission codes to verify roles assigned to user profiles (Microfocus).

FINDINGS, RECOMMENDATIONS, RESPONSES
Planning Systems
 (Point Sheet 2, Continued)

Figure 1.1 Systems Used for Proffers Processing

MicroFocus (PIMS)	<ul style="list-style-type: none"> • Age (years): 3 (33) • Support: Internally developed and supported with IST • Description: Planning repository that stores Board minutes and interfaces with POSSE for proffer tracking
CDIS	<ul style="list-style-type: none"> • Age (years): 11 • Support: Internally developed and supported with IST • Description: Community Development database that stores parcel information
GIS	<ul style="list-style-type: none"> • Age (years): 2 • Support: 3rd party vendor developed and supported • Description: Spatial database that stores location and property details
Laserfiche	<ul style="list-style-type: none"> • Age (years): 7 • Support: 3rd party vendor developed and supported • Description: Externally developed document management system
POSSE	<ul style="list-style-type: none"> • Age (years): 15 • Support: 3rd party vendor developed and supported • Description: Externally developed for building application and permit monitoring

Figure 1.2 Planning Proffer Process



FINDINGS, RECOMMENDATIONS, RESPONSES

Planning Systems

(Point Sheet 2, Continued)

CAUSE(S):

- IST does not routinely provide system user access reports to Planning for verification.
- Formal system training is not monitored for Planning employees.
- SLA does not exist between IST and Planning Department for systems support.
- IST does not automatically perform all available updates for third-party vendor applications.
- Planning Department does not have formal process to document system user access authorization.
- Microfocus (PIMS) does not have the ability to display roles assigned to user profiles.

EFFECT(S):

- Planning is unable to monitor Planning system user access.
- Planning employees may not receive adequate system training to use systems effectively.
- IST support expectations are not documented.
- Not performing available updates may impact third-party vendor application support.
- Required management authorization for system access is not present.
- Routine Microfocus (PIMS) permission monitoring may be difficult for Planning Department.
- Without defined access for certain roles, customization is required for multiple factors by each employee.

FINDINGS, RECOMMENDATIONS, RESPONSES

Planning Systems

(Point Sheet 2, Continued)

RECOMMENDATION(S):

We recommend:

1. Planning and IST coordinate user access report creation for periodic user access review for all five systems.
2. Planning Information Systems Management document system permission authorization process for all employees.
3. Planning and IST coordinate monitoring for Microfocus (PIMS) user permissions.
4. Planning Management formalize and monitor required system training and monitor for employee training needs/opportunities.
5. IST coordinate with user departments when available third-party vendor software updates are not performed to consider impact on vendor application support.
6. IST establish SLA to include responsibility for Planning system patches/updates.
7. IST continue consideration for replacing internally developed and supported systems with external vendor support software.

MANAGEMENT'S RESPONSE(S):

1. *Concur. Information Manager, Curel Sundar, and Information Security Manager, Sandy Graham, are responsible for implementing 7/1/19. IST will provide the access reports to Planning for reconciliation.*
2. *Concur. Information Manager, Curel Sundar, is responsible for implementing 12/31/19. IST has the lead for establishing process. Planning will work with them to finalize.*
3. *Concur. Information Manager, Curel Sundar, and Infrastructure Division Chief, Mike Pond, are responsible for implementing 7/1/19. IST will provide reports regularly to Planning for PIMS access.*
4. *Concur. Information Manager, Curel Sundar, is responsible for implementing 8/31/19. Planning will formalize system training for staff.*
5. *Concur. Infrastructure Division Chief, Mike Pond, is responsible for implementing 7/1/19. IST already performs this function and will begin documenting the coordination in the business Relationship Management group and include the items in the department's service level agreement.*
6. *Concur. CRM Manager, Diane Landen is responsible for implementing 6/1/19. IST has begun drafting SLA's with all customer departments, starting with Utilities. IST will make the Planning department SLA a priority once the format is complete with Utilities.*
7. *Concur. Deputy CIO – Application Services, Joe Pugh, is responsible for implementing 6/1/19. This has been the strategy for a decade, replacing internally developed systems with commercial off the shelf software, resulting in many system modernizations and increased functionality for customers.*

FINDINGS, RECOMMENDATIONS, RESPONSES
Cash Proffer Processing
(Point Sheet 3)

CRITERIA:

Virginia Code §15.2-2298 and §15.2-2303 establishes locality proffer use for zoning ordinances. Cash proffers are voluntary payments submitted by property owners with a rezoning application accepted by a local governing body.

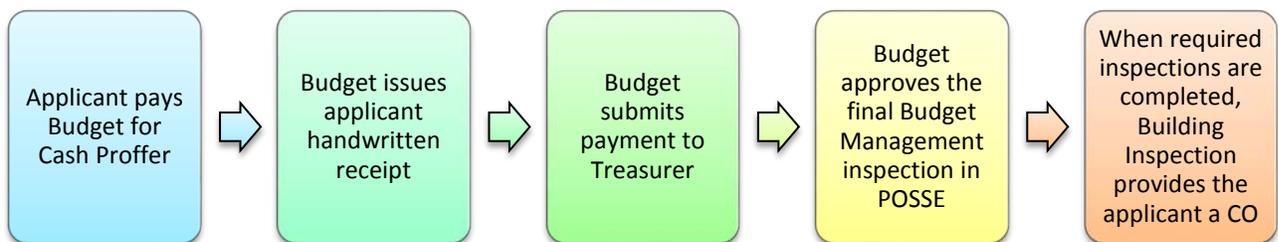
Chesterfield County Cash Proffer Policy prior to September 28, 2016 set a \$18,966 cash proffer maximum with allowed usage for schools, roads, parks, libraries, and fire stations. Approved cash proffers subject to this prior policy are adjusted annually for inflation (i.e. Marshall and Swift Building Data). Proffer Policy effective September 28, 2016 lowered cash proffer maximum to \$9,400. The revised policy limits use to transportation infrastructure and the proffer payable is no longer adjusted annually for inflation.

County Administrative Policy 7-5: IST – Access to Distributed Systems requires unique identification and authentication for access.

CONDITION(S):

Budget Management, Planning, and Building Inspection Departments use multiple processes and systems (POSSE, PIMS, GIS, and CDIS) to coordinate cash proffer processing. Additionally, Budget has a spreadsheet for cash proffer related zoning cases with current amounts due. Budget reported \$9,997,365 FY17 and \$4,911,324 FY18 cash proffer revenue. No formal reporting procedures exist for Planning to provide Budget the County Board approved proffers. Planning and Budget Departments both attend Board of Supervisor meetings to monitor and document approved zoning cases. The Community Development Systems are updated for zoning case actions using Board of Supervisors meeting minutes. This process can take at least a month due to Board approval of minutes. Budget uses manual receipts for cash proffer payments and updates POSSE immediately. See Figure 2.1 for cash proffer payment process.

Figure 2.1 – Cash Proffer Payment Process¹



¹ See Figure 3.1 – County Proffer Condition Processing

FINDINGS, RECOMMENDATIONS, RESPONSES

Cash Proffer Processing

(Point Sheet 3, Continued)

During testing, we observed:

- During FY17 and FY18, Proffer collection receipt detail was not documented routinely in the spreadsheet.
- Budget reconciled FY18 cash proffer collections to ONESolution (County Financial System) to ensure completeness and accuracy. We understand Budget has implemented a FY19 process to log collections weekly and reconcile to ONESolution quarterly.
- The spreadsheet does not provide different access levels required for segregation of duties based on individual job responsibilities. All Budget employees had access to update the FY18 spreadsheet, including those with proffer collection responsibilities. For FY19, we understand Budget has limited spreadsheet update access to four employees (Director, Budget Manager, Automation Analyst, and Budget Analyst).

We selected 20 zoning cases/developments, new or amended, during FY17 and FY18 from the Budget cash proffer inventory spreadsheet to test agreement with Planning Commission and County Board minutes with no exceptions noted. For these developments, we also selected 25 building permits and tested without exception that:

- Planning Department update (PIMS) agreed with Community Development System (POSSE).
- The POSSE field requiring Budget review was marked (i.e. later used to document cash proffer payment prior to CO).

We selected 10 zoning cases/developments, new or amended during FY17 and FY18, from Planning Commission and County Board minutes to test agreement with:

- Budget cash proffer inventory spreadsheet; no exceptions noted.
- Supporting document repository in Laserfiche; no exceptions noted.

We selected 10 FY17 and FY18 building permit applications from POSSE with cash proffers to test:

- Board of Supervisors' approved amount (per minutes) agrees to Budget proffer inventory spreadsheet amount with no exceptions noted.
- Individual proffer amounts by lot to Planning zoning cases (Laserfiche).
 - 10 (100%) individual proffer amounts by lot from POSSE could not be agreed to Laserfiche due to Community Development software restrictions.
 - We learned Planning uses the Geographic Parcel Identification Number (GPIN) and address to identify individual lots instead of subdivision section and lot numbers located in POSSE, making it difficult to locate corresponding project.
- Corresponding manual Budget receipts were accurate and complete with no exceptions noted.
- Proffer payments were received before Building Inspection Department issued CO with no exceptions noted.
- Proffer payments were recorded in Budget proffer inventory spreadsheet.

FINDINGS, RECOMMENDATIONS, RESPONSES

Cash Proffer Processing

(Point Sheet 3, Continued)

- 1 of the 6 (17%) with FY17 and FY18 proffer payments did not have receipt detail keyed in Budget's proffer inventory spreadsheet (\$20,341 payment for building permit 20171218-003).

CAUSE(S):

- Although zoning case approvals are effective immediately, it takes over a month before Planning updates case documentation in PIMS which is transferred to POSSE.
- Prior to FY19, Budget's spreadsheet did not provide different access levels required for segregation of duties based on individual job responsibilities.
- The Planning zoning case report only uses the lot's GPIN and address to identify individual cash proffer; however, other departments (Budget and Building Inspection) use subdivision section and lot numbers for identification.
- The POSSE system does not have cash proffer receipt module that would allow Building Inspection to process payments. A separate manual receipt process requires separate update to proffer inventory spreadsheet.

EFFECT(S):

- Budget attends Board of Supervisor meetings to be aware of cash proffer approvals and amendments.
- Prior to FY19, all Budget employees had access to update the spreadsheet, including those with proffer collection responsibilities (lack of segregation of duties).
- Agreeing cash proffers from Planning zoning case reports to other systems (i.e. GPIN/Tax ID, section and lot numbers, street address, etc.) is difficult.
- Cash proffer tracking and collection process is cumbersome and inefficient. Applicants must visit separate Departments to make cash proffer payments (Budget) and obtain their CO (Building Inspection Department).

RECOMMENDATION(S):

We recommend:

8. Planning Department develop a procedure to document Board of Supervisors' zoning case actions and make them available immediately following meetings to determine cash proffer amounts payable. The goal is to prepare the department collecting cash proffers without having to attend the meeting.
9. Budget continue to limit cash proffer inventory spreadsheet access based on required job functions.
10. Planning Department coordinate with IST (GIS team) to develop a crosswalk from initial GPIN to subdivision section and lot numbers for amended zoning case summary reports.
11. Building Inspection Department should consider incorporating cash proffer payment processing into the building permit computer system and coordinate with Budget to transfer payment processing responsibilities.

FINDINGS, RECOMMENDATIONS, RESPONSES

Cash Proffer Processing

(Point Sheet 3, Continued)

MANAGEMENT'S RESPONSE(S):

8. *Concur. Information Manager, Curel Sundar, is responsible for implementing 2/28/19. Planning Department currently updates all conditions and proffered conditions in PIMS the day after the Board of Supervisors meeting for zoning case action.*
9. *Concur. Budget Manager, Natalie Spillman, is responsible for implementing 1/30/19. Budget has implemented.*
10. *Concur. Information Manager, Curel Sundar, is responsible for implementing 12/31/19. Planning coordinate with IST for completion, but implementation date is contingent on ELM project.*
11. *Concur. Customer Operations Administrator, Becky Summers, and Budget Manager, Natalie Spillman, are responsible for implementing 12/31/19. We will incorporate into ELM during design or could have our software vendor update our system if Budget Department can obtain funds. Budget is prepared to transfer duties as soon as systems permit the change.*

FINDINGS, RECOMMENDATIONS, RESPONSES
Proffered Conditions
(Point Sheet 4)

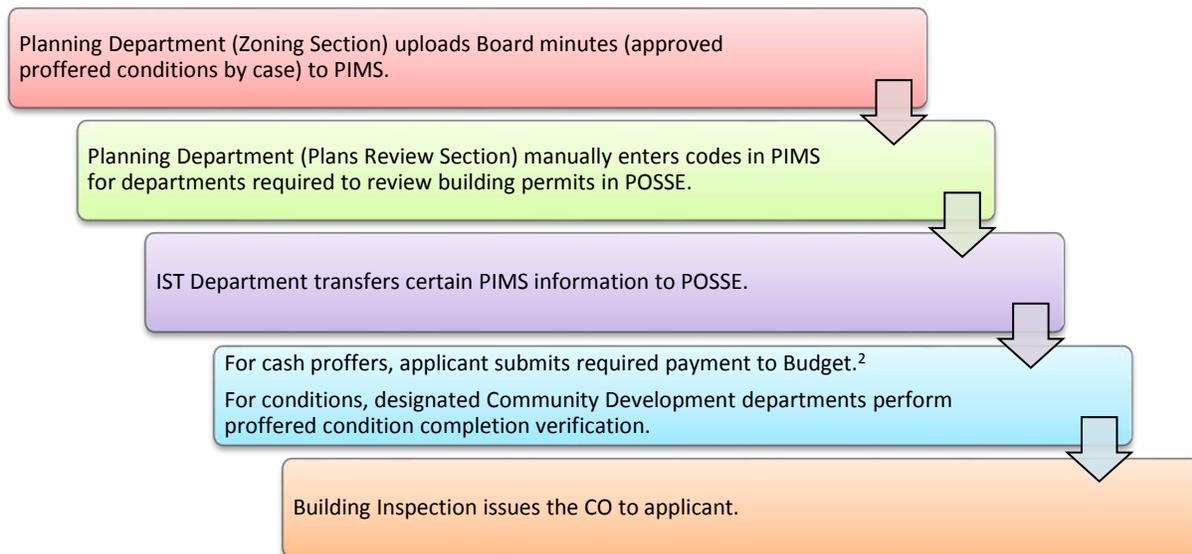
CRITERIA:

Virginia Code §15.2-2298 and §15.2-2303 establishes locality proffer use for zoning ordinances. Proffered conditions can be off-site road or transportation improvements, building specifications, and other design improvements that may aid County revitalization. The voluntary proffered conditions are submitted by property owners with a rezoning application accepted by a local governing body.

CONDITION(S):

The Planning and Building Inspection Departments use multiple processes and systems for proffered condition monitoring. Unlike cash proffers, there is no overall proffered condition inventory. Planning attends Board of Supervisor meetings and updates approved proffered conditions by case to the Planning Information Management System (PIMS) and Laserfiche (zoning case report). IST transfers certain PIMS information to POSSE (Community Development System); however, Planning does not verify that the data transferred from PIMS to POSSE is complete and accurate. POSSE has a feature to automatically assign pre-defined departments for building permit review if they include a cash proffer. We understand there is a process to only review significant proffered conditions before CO issuance; however, there is no formal procedure to indicate which items are significant for review and that they were completed. After reviews are conducted and conditions are satisfied, Building Inspection issues the certificate of occupancy (CO). See Figure 3.1 for County proffered condition processing.

Figure 3.1 – County Proffered Condition Processing²



² See Figure 2.1 – Cash Proffer Payment Process

FINDINGS, RECOMMENDATIONS, RESPONSES

Proffered Conditions

(Point Sheet 4, Continued)

We selected 6 building permits from POSSE with proffered conditions that were issued COs during FY17 and FY18 to test:

- Departments reviews were indicated in POSSE; however, there was no supporting documentation to indicate which proffers, if any, the required departments had reviewed.
- Zoning case amendments were documented in PIMS with no exceptions noted.
- Approved zoning case amendments were present in POSSE.
- 3 of 6 (50%) zoning case amendments were incomplete in POSSE. Planning (Plans Review) did not consistently prepare the corresponding PIMS data for transfer to POSSE.
 - Permit 20170816-020 (17SN0803) CO issued 12/21/17. The 17SN0803 proffered condition amendment for heating ventilation, and air conditioning (HVAC), roof material, and a gazebo was not located.
 - Permit 20161101-004 (13SN0525) CO issued 3/9/17. The proffered condition amendments were present; however, a cash proffer amendment (reduction from \$9,000 to \$0) was not captured in POSSE. The cash proffer amendment was reflected on the Budget cash proffers tracking spreadsheet.
 - Permit 20171218-003 (17SN0824) CO 4/17/18. The 17SN0824 amendment for proffered conditions (exterior facades and lot design elements) was not located; however, a cash proffer amendment (reduction from \$20,341 to \$9,400) was not captured in POSSE. The cash proffer amendment was reflected on the Budget cash proffers tracking spreadsheet.
- Planning Department performed quality control reviews for zoning case amendments entered in PIMS with no exceptions noted.

CAUSE(S):

- Planning (Plans Review section) does not have a process to identify completeness of zoning cases in PIMS ready for POSSE transfer.
- Planning does not verify that the data transferred from PIMS to POSSE is complete and accurate. We understand Planning is not tasked with transmitting proffered condition (i.e. noncash) data from PIMS to POSSE.
- There is no formal procedure to indicate which proffered conditions were significant and if a review was completed.

EFFECT(S):

- Planning (Plans Review section) does not consistently transfer PIMS information to POSSE.
- POSSE system information is not reliable for zoning case documentation such as proffer amendments.
- Proffered conditions may not be satisfied before CO issuance which increases the potential for zoning case noncompliance.

FINDINGS, RECOMMENDATIONS, RESPONSES

Proffered Conditions

(Point Sheet 4, Continued)

RECOMMENDATION(S):

We recommend:

12. Planning Department coordinate with Building Inspection, IST, and Budget Management Departments to strengthen PIMS to POSSE data transfer process for completeness, accuracy, and reliability.
13. Planning Department extend quality control process focused on PIMS to also include POSSE.
14. Planning coordinate with Building Inspection to strengthen process to share all proffered conditions (cash and noncash) and document Planning's verification that they were satisfied.

MANAGEMENT'S RESPONSE(S):

12. *Concur. Information Manager, Curel Sundar, is responsible for implementing 8/31/19. We will work on this with other departments. This may be an interim fix for minimum requirements until implementation of ELM.*
13. *Concur. Information Manager, Curel Sundar, is responsible for implementing 8/31/19. We will work on this with other departments. This may be an interim fix for minimum requirements until implementation of ELM.*
14. *Concur. Information Manager, Curel Sundar, is responsible for implementing 8/31/19. We will work on this with other departments. This may be an interim fix for minimum requirements until implementation of ELM.*

FINDINGS, RECOMMENDATIONS, RESPONSES

ELM Project Status

(Point Sheet 1)

CRITERIA:

County Administrative Policy 12-15: Procurement Administration establishes County Department responsibilities for vendor contract management and reporting performance concerns to the Procurement Department.

Project management best practices include reporting tools to monitor project progress against budgeted goals and contract requirements.

CONDITION(S):

ELM project completion is uncertain. ELM project missed the planned June 2017 implementation and the project development has been placed on hold since March 2018. The Procurement Department prepared an April 17, 2018 cure letter to the vendor reporting specific contract failures. There are multiple incomplete deliverables (*Figure 4.3, page 17*). On April 24, 2018, the vendor proposed jointly creating a change order (contract modification) with the County revising the project timeline. The County is continuing to consider options to proceed.

The \$2 Million ELM capital project objective is to automate and integrate Community Development applications and processes within a single system. Procurement Department issued a request for proposal (RFP) July 30, 2014 for a Chesterfield Development Information System. Accela (primary software vendor) was awarded a \$931,738 contract September 30, 2015 with 24 deliverables and a June 2017 implementation. As of March 2018, deliverables were 46% (11 of 24) complete with payments totaling \$542,113 (55%). See *Figures 4.1 - 4.3* (pages 16 -17) for ELM deliverable charts.

A steering committee and various subcommittees were created to coordinate project administration across departments. The steering committee approves invoices for IST payment processing. The IST Project Manager is responsible for scope, schedule, and overall project cost through closing phase, as well as overall project business resource, IST technical resource, and vendor management. Core team and subcommittees review and approve deliverables prior to vendor invoicing. See *Figure 4.4* (page 18) for ELM Organization Chart.

IST status reports help steering committee members track the project's overall status (green – project on target; yellow – medium potential to not meet deadline; red – high potential to not meet deadline). The report metrics include: schedule, scope stability, resources, issue resolution, and technical solution. ELM project status change history: Green – September 2014, Yellow – June 2016, Green – September 2016, Yellow – October 2016, and Red – June 2017. The August 2018 IST status report documents IST data conversion team progress and remaining resource requirements. The steering committee continues to meet periodically while vendor negotiations continue.

FINDINGS, RECOMMENDATIONS, RESPONSES

ELM Project Status

(Point Sheet 1, Continued)

Expenses and liability for the Accela contract are understated by the \$60,235 retainage. The contract provides for withholding 10% retainage for completed deliverables; however, the vendor invoice amounts were net of the retainage (i.e. 90% of contract amount per deliverable). IST processed invoice payments without reflecting related retainage liability and additional expense (*Figure 4.3, page 7*). We also noted a \$20,964 Accela invoice credit; however, there was no documentation for original payment or the applicable deliverable item.

Figure 4.1 – ELM Deliverable Status (24 Items) Versus June 2017 Target Completion

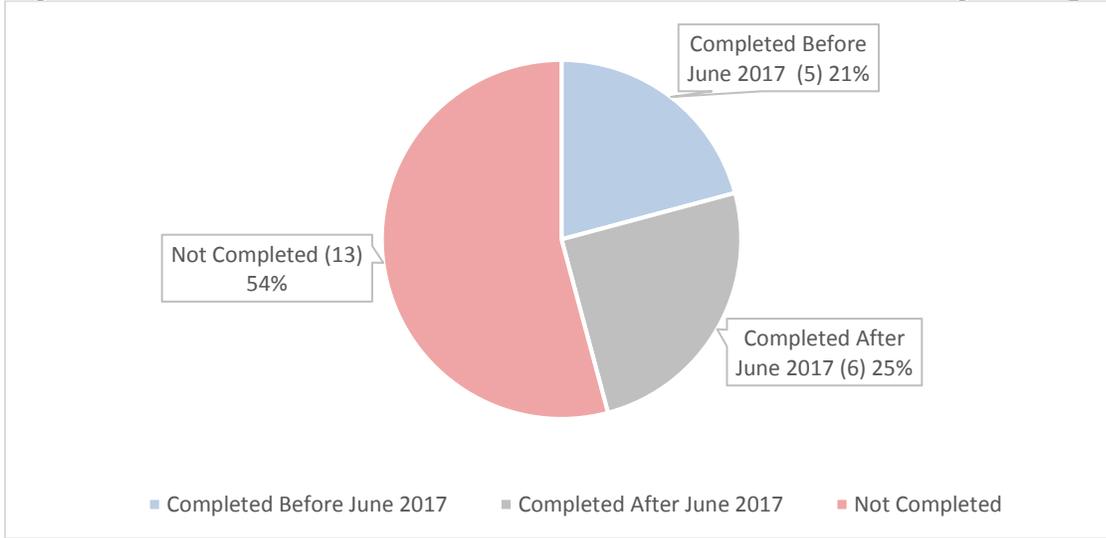
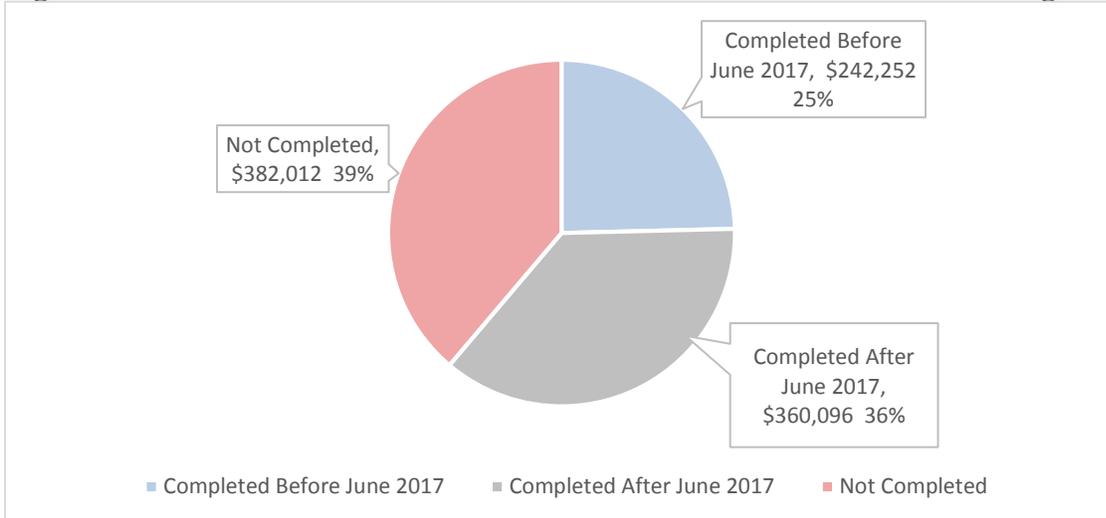


Figure 4.2 – ELM Deliverable Status for Contract Cost Versus June 2017 Target Completion



FINDINGS, RECOMMENDATIONS, RESPONSES
ELM Project Status
(Point Sheet 1, Continued)

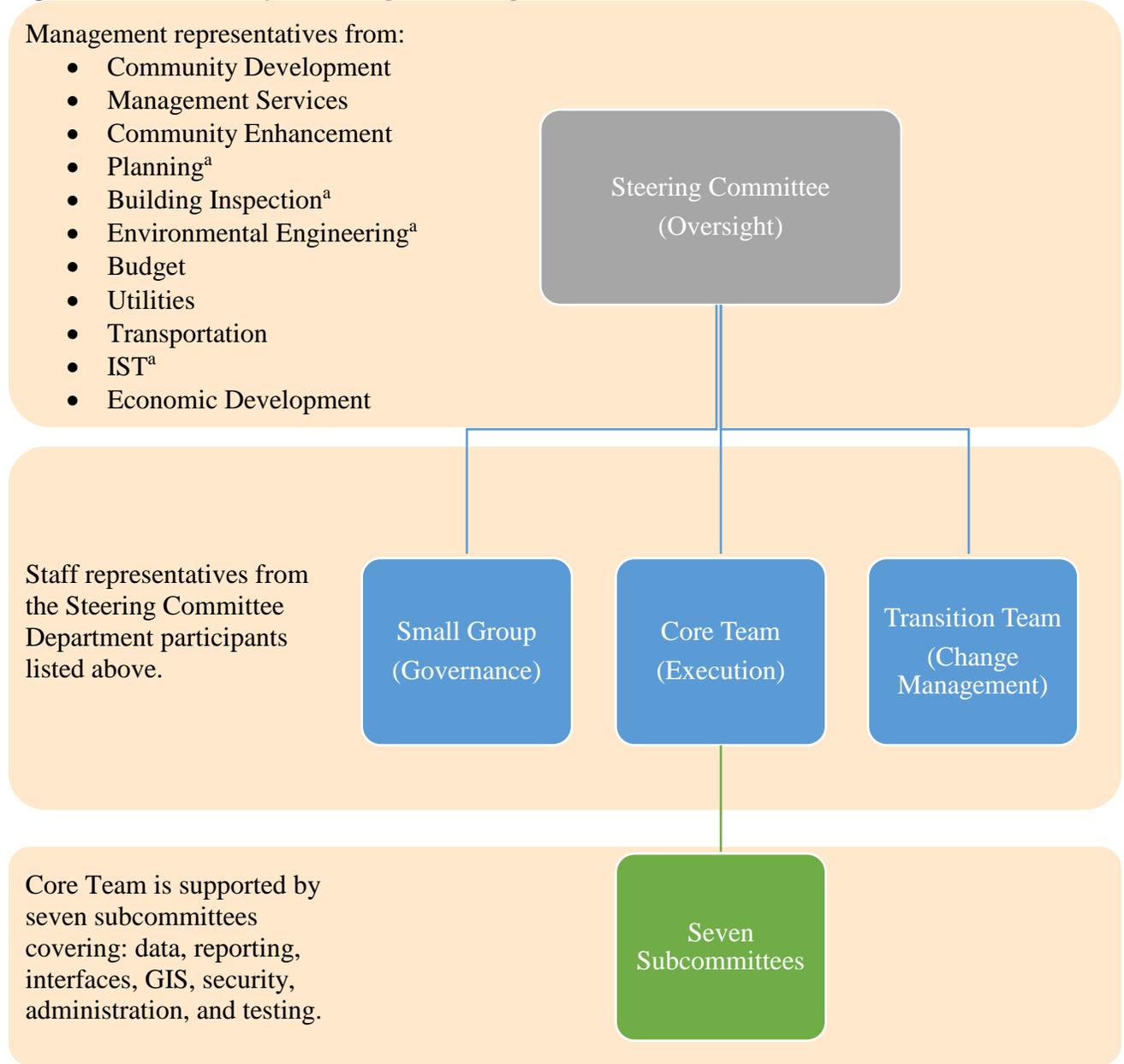
Figure 4.3 – Schedule after January 2017 ELM Steering Committee Revision

Stage Deliverable	Planned Completion	Provided	Accepted	Amount	Invoice Amount	
S1 - Initiation						
D1 - Project Initiation	6/30/2016	8/30/2016	9/7/2016	\$ 23,293	\$ 20,964	✓
D2 - Accela Automation Setup	11/9/2015	11/20/2015	12/2/2015	23,293	20,964	✓
S2 - Business Process Analysis						
D3 - To-be Analysis Sessions (Land Management)	2/19/2016	2/23/2016	2/23/2016	83,856	75,471	✓
D4 - To-be Analysis Document (Land Management)	7/6/2016	7/14/2016	7/15/2016	83,856	75,471	✓
S3 - Solution Foundation						
D5 - Accela Automation Solution Foundation	8/12/2016	4/10/2017	4/12/2017	75,471	67,924	◇
D5a - Accela Automation Solution Foundation (Utilities)	C/O #4	10/30/2017	10/31/2017	8,386	7,547	◇
D6 - Record Types	9/28/2016	12/4/2017	1/26/2018	83,856	75,471	◇
D6b - Additional 24 Record Types (Configuration)	C/O #3	9/28/2017	9/28/2017	52,622	47,360	◇
S4 - Build						
D7 - Historical Data Conversion Analysis	9/12/2016	5/1/2017	Rejected	27,952	-	
D8 - Historical Data Conversion Development	3/13/2017	No	N/A	27,952	-	
D9 - Interface Analysis and Development	12/21/2016	No	N/A	27,952	-	
D10 - Business Process Validation and Automation	11/28/2016	No	N/A	27,952	-	
D11 - Report Specifications	10/28/2016	No	N/A	27,952	-	
D12 - Report Development	12/21/2016	No	N/A	27,952	-	
D13 - Accela GIS Configuration	10/28/2016	9/27/2017	9/28/2017	27,952	25,157	◇
D14 - Accela Citizen Access Configuration	11/23/2016	No	N/A	27,952	-	
D15 - Accela Mobile Office Configuration	9/14/2016	No	N/A	27,952	-	
D16 - Accela Electronic Review Configuration	8/18/2016	No	N/A	27,952	-	
D17 - Internal User Experience	11/2/2016	5/24/2017	5/31/2017	27,952	25,157	✓
S5 - Readiness						
D18 - Accela Automation Setup (Production)	12/13/2016	12/7/2017	12/12/2017	37,270	33,543	◇
D19 - Administrative Training	1/18/2017	3/21/2018	3/21/2018	37,270	33,543	◇
D20 - Report Workshop	1/18/2017	3/20/2018	3/21/2018	37,270	33,543	◇
D21 - Train the Trainer	12/27/2016	No	N/A	37,270	-	
D22 - User Acceptance Testing	5/10/2017	No	N/A	37,270	-	
S6 - Deployment						
D23 - Production Support	6/20/2017	No	N/A	27,952		
D24 - Post Deployment Support	6/27/2017	No	N/A	27,952		
Legend:				Total (without D6b)	\$ 931,738	\$ 494,753
✓ Completed before Planned				Total (with D6b)	\$ 984,360	\$ 542,113
◇ Completed after Planned						

Notes: Change Order #3 for D6b created additional cost to contract. D5a separated Utilities automation without changed contract pricing. D7 submitted prematurely and rejected. Changes for deliverable invoices total \$602,348, but vendor only invoiced \$542,113 net of retainage (invoiced 90% of contract per deliverable).

FINDINGS, RECOMMENDATIONS, RESPONSES
ELM Project Status
 (Point Sheet 1, Continued)

Figure 4.4 – ELM Project Management Organization Chart



Note a: Vendor invoice approver for County accounting system (ONESolution).

FINDINGS, RECOMMENDATIONS, RESPONSES

ELM Project Status

(Point Sheet 1, Continued)

While the system has not been implemented, ELM is a software as a service (SaaS) system which requires annual maintenance, hosting, and licensing fees when beneficial use begins (i.e. before entering production). These fees began September 30, 2015 and Accela billed \$602,622 for FY16 – FY19. Chesterfield County has paid \$445,222, see *Figure 4.5*.

Figure 4.5 – Accela Maintenance, Hosting, and Licensing Fee Schedule

	Billed	Invoice Date	Payment Date	Source
FY16	\$ 144,043	9/30/2015	12/17/2015	ELM Project
FY17	\$ 148,364	10/31/2016	1/19/2017	ELM Project
FY18	\$ 152,815	10/10/2017	11/21/2017	IST
FY19	\$ 157,400	7/16/2018	Unpaid	N/A
Total	\$ 602,622			

The IST Project Manager monitors project budget in total instead of using established object code detail by contract and expenditure categories (*Figure 4.6, page 20*). The management consulting services object code appears to be \$870,000 over budget. We noted project budget by account has not been adjusted for contingency uses. Also, consultant services and annual maintenance accounts do not reflect actual expenditures (*Figure 4.6, page 20*). The \$1.4 Million expense under management consulting service category (object 531300) includes multiple contracts for various expense categories. See *Figure 4.7* (page 20) for project budget status after audit classification adjustments. ONESolution’s (Chesterfield County Enterprise System) financial project tracking allows for cumulative project management. Budget and IST collaborate to create the capital project budget by object code for expenditure classification.

FINDINGS, RECOMMENDATIONS, RESPONSES
ELM Project Status
(Point Sheet 1, Continued)

Figure 4.6 – ONESolution ELM Project Summary (As of 9/30/18)

Project: 11023C2 ENTERPRISE LAND MGMT SYST
Fund: 21

<u>Object/ Description</u>	<u>Life-to-Date</u>	<u>Life-to-Date</u>	<u>Encumbrance</u>	<u>Balance</u>
	<u>Budget</u>	<u>Actuals</u>		
531300 MGMT CONSULTING SVC	931,738	1,437,431	364,989	(870,682)
531306 CONSULTANT SVCS	180,000	-	-	180,000
533275 SOFTWARE MAINT ANNUAL CONTRAC	292,497	54,815	-	237,682
539008 PERMITS AND LICENSES	344,279	-	-	344,279
539055 CONTINGENCY OTHER	140,059	-	-	140,059
560141 EXP SOFTWARE	13,125	6,332	-	6,793
561070 EXP COMPUTER EQUIP RPL	3,000	47,200	3,376	(47,576)
562070 EXP COMPUTER EQUIP ADD	116,910	-	-	116,910
TOTAL OPERATING EXPENDITURES	2,021,608	1,545,777	368,365	107,466

Figure 4.7 – Auditor ELM Project Summary with Reclassifications (As of 9/30/18)

Project: 11023C2 ENTERPRISE LAND MGMT SYST
Fund: 21

<u>Object/ Description</u>	<u>Life-to-Date</u>	<u>Life-to-Date</u>	<i>Adjusted</i>		<u>Encumb</u>	<i>Adjusted</i>		
	<u>Budget</u>	<u>Expenses</u>	<u>Exp</u> <u>Adj</u>	<u>Adj</u> <u>Exp</u>		<u>Adj</u>	<u>Adj</u>	<u>Adj</u>
531300 MGMT CONSULTING SVC	931,738	1,437,431	(916,701)	520,729	364,989	(54,985)	310,004	101,004
531306 CONSULTANT SVCS	180,000	-	280,015	280,015	-	54,985	54,985	(155,000)
533275 SOFTWARE MAINT ANNUAL CONTRAC	292,497	54,815	292,407	347,222	-	-	-	(54,725)
539008 PERMITS AND LICENSES	344,279	-	344,279	344,279	-	-	-	-
539055 CONTINGENCY OTHER	140,059	-	-	-	-	-	-	140,059
560141 EXP SOFTWARE	13,125	6,332	-	6,332	-	-	-	6,793
561070 EXP COMPUTER EQUIP RPL	3,000	47,200	(47,200)	-	3,376	(3,376)	-	3,000
562070 EXP COMPUTER EQUIP ADD	116,910	-	47,200	47,200	-	3,376	3,376	66,334
TOTAL OPERATING EXPENDITURES	2,021,608	1,545,777	-	1,545,777	368,365	-	368,365	107,466

CAUSE(S):

- Software as a service (SaaS) systems routinely require annual maintenance, hosting, and licensing fees before application enters production.
- Project invoices do not clearly illustrate retainage payable.
- IST Project Manager and IST Procurement managed project budget in total instead of by object code detail.
- IST is not documenting full reconciliation of project expenditures to related contracts and deliverables.

FINDINGS, RECOMMENDATIONS, RESPONSES

ELM Project Status

(Point Sheet 1, Continued)

EFFECT(S):

- ELM implementation delays increase project costs for annual maintenance, hosting, and licensing fees during system development.
- ELM project retainage liability has not been recorded.
- Project accounting reports cannot be used for tracking budget status by vendor and contingency use.
- Project expenditures are inaccurate (\$60,235 retainage; and \$20,964 credit).

RECOMMENDATION(S):

We recommend:

15. Procurement Department coordinate with IST to consider opportunities to better position County on future fixed-price system development contracts that also include hosting, licensing, and maintenance fees at project start (i.e. lower fees prior to application entering production).
16. IST Capital Project Management and Contract Administrators consider project status report enhancements to help identify performance failures requiring action sooner.
17. IST account for retainage payable during invoice processing.
18. IST use established object codes for expenditures.
19. IST fully reconcile project expenditures to related contracts and deliverables.

MANAGEMENT'S RESPONSE(S):

15. *Concur. Procurement Director, Keith Gagnon, is responsible for implementing 7/1/19. The Procurement Department will review system development contracts with IST prior to issuance to determine the most effective contract terms, deliverable schedules, and acceptance standards to minimize County risk for schedule slippage and cost overruns.*
16. *Concur. PMO Division Chief, Dean Jadowski, is responsible for implementing 7/1/19. The Project Management Office (PMO) will implement standards for consistent project status reporting, thresholds for early warnings of project difficulty and standard corrective actions. Recent corrective actions on ELM have included a comprehensive project audit by our Project Management Office with recommendations, cessation of payments to the vendor, a vendor negotiation plan, and an accepted plan to manage the restart of the project.*
17. *Concur. PMO Division Chief, Dean Jadowski, is responsible for implementing 7/1/19. Reporting on retainage will be standardized as part of PMO policies for management of technology projects.*
18. *Concur. PMO Division Chief, Dean Jadowski, is responsible for implementing 7/1/19. The budget plan template, developed to standardize the financial handling of technology projects, will be reviewed to include the rule of object code utilization for expenditures.*
19. *Concur. PMO Division Chief, Dean Jadowski, is responsible for implementing 7/1/19. PMO templates and required plans will be reviewed (budget plan, project charter, etc.) and directives for reconciliation of expenditures to budget and contract will be inserted where needed and highlighted.*