



Chesterfield County, Virginia Internal Audit

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GREGORY L. AKERS, CPA
Director

DATE: July 29, 2016

TO: Joseph P. Casey, PhD.
County Administrator

Dr. James Lane
CCPS Superintendent

FROM: Greg L. Akers
Director of Internal Audit

SUBJECT: Fraud, Waste, and Abuse HOTLINE Program Fiscal Year 2016 Annual Report

We are providing the annual report for the operation of the Fraud, Waste, and Abuse HOTLINE program. The Office of Internal Audit serves County and School Board management by performing financial and performance audits, as well as special projects which include investigations of suspected misconduct and other projects as requested by management. The County's Hotline program is operated pursuant to the many activity or conduct where fraud, waste, or abuse are suspected. Chesterfield County Administrative Policy and Procedure 8-2 establishes the "tone at the top" of ethical expectations for all employees. The policy defines what constitutes fraud, with procedures employees must follow when fraud is suspected. Chesterfield County Personnel Policies (section 1-4) establish a code of ethics, further defining expectations for employee honesty and behavior. The combination of these elements provides a climate to help deter fraud and other unethical practices.

There are a variety of methods to report allegations to the HOTLINE program:

- Hotline 804-318-8000
- In person, and by call or mail to our office
- By fax 804-768-9346
- On-line:
 - Web – <http://www.chesterfield.gov/reportfraud/>
 - County Intranet

Allegations are evaluated to determine if conditions warrant:

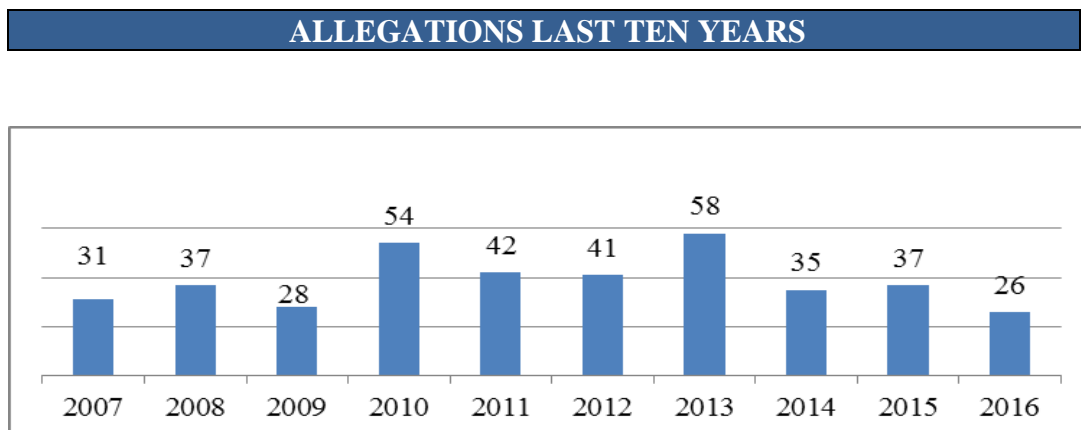
- A special project investigation by Internal Audit,
- Referral or consultation of matter with the related County or School department,
- Referral to another entity or jurisdiction (i.e. items not involving Chesterfield County or Schools personnel, resources, or operations), or
- Insufficient information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

We appreciate the assistance and cooperation from County and School departments during our evaluation of allegations. We especially appreciate the efforts of Human Resources Management (HRM) with employee misconduct allegations.

The investigation results are provided to department management and to HRM for determining employee disciplinary action. In many cases, process improvements are recommended to improve internal controls. This report summarizes activities from July 1, 2015 to June 30, 2016 for allegations that came to our attention through the Hotline.

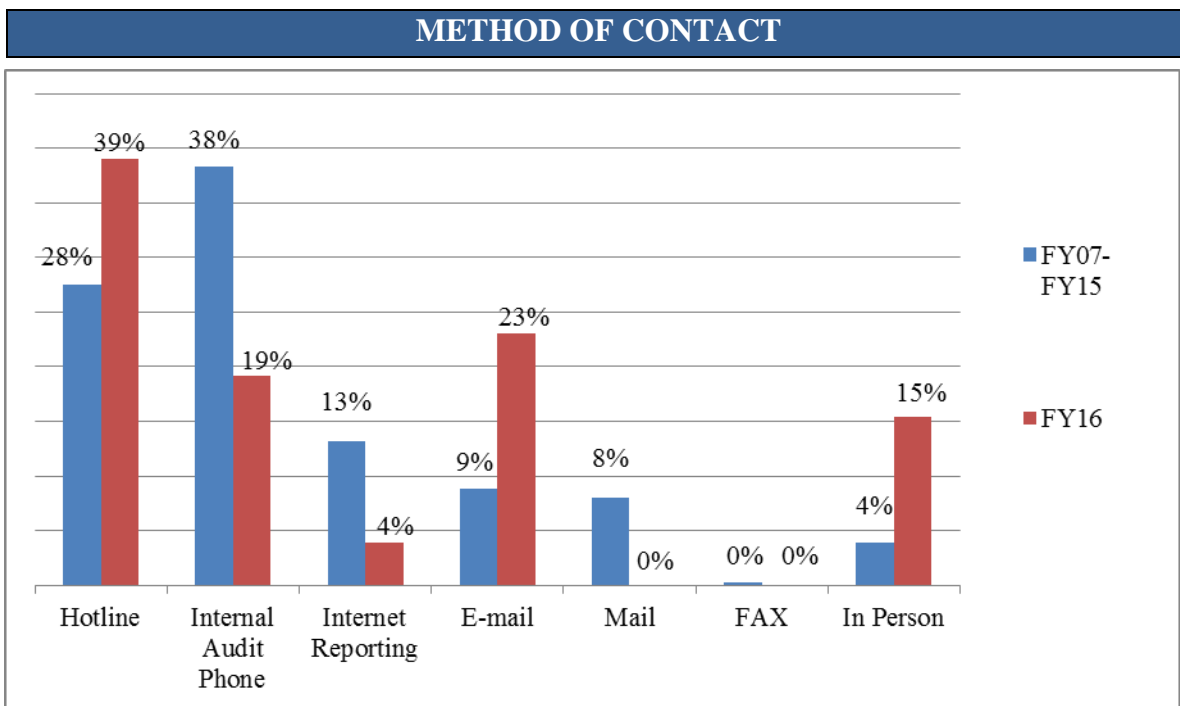
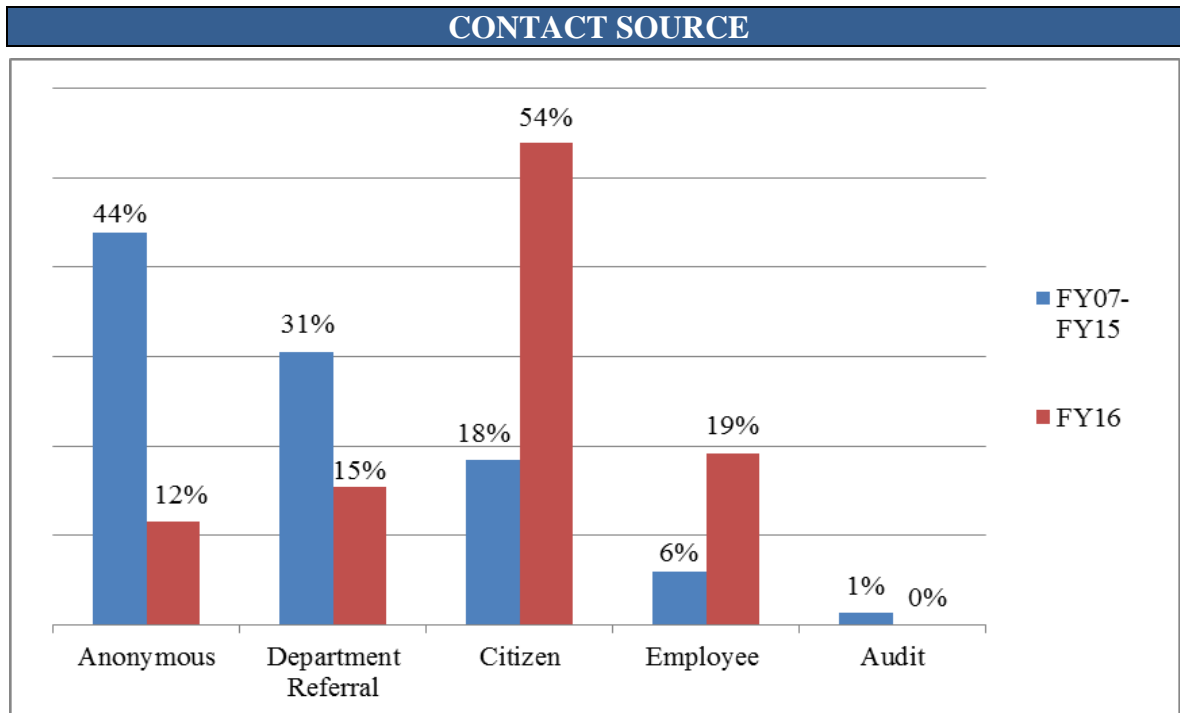
NUMBER OF ALLEGATIONS RECEIVED

The Office of Internal Audit formalized the Hotline program in Fiscal Year 2007 to more thoroughly capture statistics regarding each allegation. Allegation volume is illustrated by fiscal year below since 2007.



CONTACT SOURCE AND METHOD

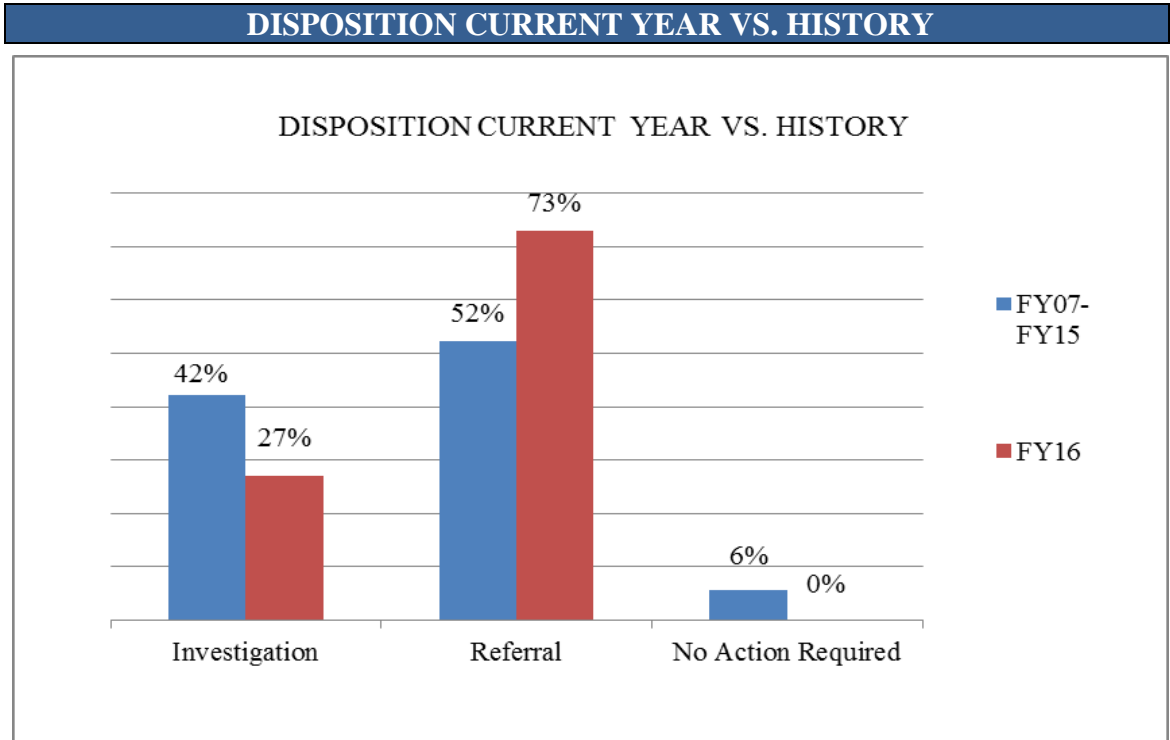
The Office of Internal Audit received 26 allegations of fraud, waste, and abuse in Fiscal Year 2016. Fiscal Year 2016 allegation sources and reporting methods are compared to program history below.



DISPOSITION OF ALLEGATIONS

In all 26 cases, allegations were evaluated by Internal Audit and resulted in:

- 7 Investigations
- 19 Referrals (to the appropriate County or School department)



INVESTIGATIONS SUMMARY

There were 9 completed investigations, including 2 initiated in the prior fiscal year. Where investigations result in a formal report, highlight reports are provided to the Budget and Audit Committee through the County Administrator during the year.

For the 9 completed investigations in Fiscal Year 2016:

- 1 Substantiated the allegations, but no formal report issued
- 6 Substantiated the allegations, and resulted in formal reports
- 2 Allegations were not substantiated

There is one investigation in process at fiscal year-end.

The next page summarizes investigations and results.

INVESTIGATIONS (SPECIAL PROJECTS)			
Organization	Allegation	Allegation Substantiated? (Yes/No)	Outcome
Parks and Recreation (carried over from FY15)	Time abuse	Yes	Disciplinary Action
School Vendor (carried over from FY15)	Concern with tax status of vendors	Yes ✓	Process Improvement Recommendations
General Services (Building and Grounds)	Time abuse, Misuse of County vehicle	Yes ✓*	1 Termination 1 Voluntary Resignation
General Services (Facilities Mgt.)	Mismanagement	Yes ✓*	Reorganization
School Construction	Procurement and contract concerns	Yes ✓	Compliance and Process Improvement Recommendations
School Online Learning	Theft and mishandling of funds	Yes ✓*	Process Improvement Recommendations, Termination, Criminal Charges
General Services (Custodial Services)	Theft of custodial supplies	No	
Mental Health Support Services	Delayed vendor payment	No	
School Facilities	Time-abuse/ Mismanagement Potential misappropriation	Yes ✓* No	2 Terminations and Process Improvement Recommendations
Mental Health Support Services	Inaccurate Client Billing	Pending	In process at fiscal year-end

✓ - Formal report issued.

* - Freedom of Information Act (FIOA) exempt

CLOSING

In addition to reducing losses and protecting the County’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 with the HOTLINE as well as the Chesterfield County Fraud Detection and Prevention Policy and the Code of Ethics by providing material that is covered in the County’s new employee orientation sessions.

TRAINING PARTICIPATION		
Area	Sessions	Participants
New Employee Orientation	21	629
Departmental: - School Principals - General Services	2	87
Total	23	796

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

Copy: Rebecca Dickson, Interim Deputy County Administrator for Management Services
Donald Fairheart, Chief of Staff Chesterfield County Public Schools
Chris Sorensen, Assistant Superintendent for Business and Finance

Highlights

Internal Audit Report to the Board of Supervisors/School Board

Why We Did This Review

Internal Audit manages the Fraud, Waste, and Abuse HOTLINE program for the County and School Board.

The County's Hotline program is operated pursuant to the Code of Virginia § 15.2-2511.2 and provides a means for employees and citizens to confidentially report any activity or conduct where fraud, waste, or abuse are suspected. Chesterfield County Administrative Policy and Procedure 8-2 establishes the "tone at the top" of ethical expectations for all employees. The policy defines what constitutes fraud, with procedures employees must follow when fraud is suspected. Chesterfield County Personnel Policies (section 1-4) establish a code of ethics, further defining expectations for employee honesty and behavior. The combination of these elements provides a climate to help deter fraud and other unethical practices.

Our internal procedures require that a comprehensive annual report of activity be provided to the County Administrator and School Superintendent following fiscal year-end.

What We Recommend

This report is being furnished for information only.



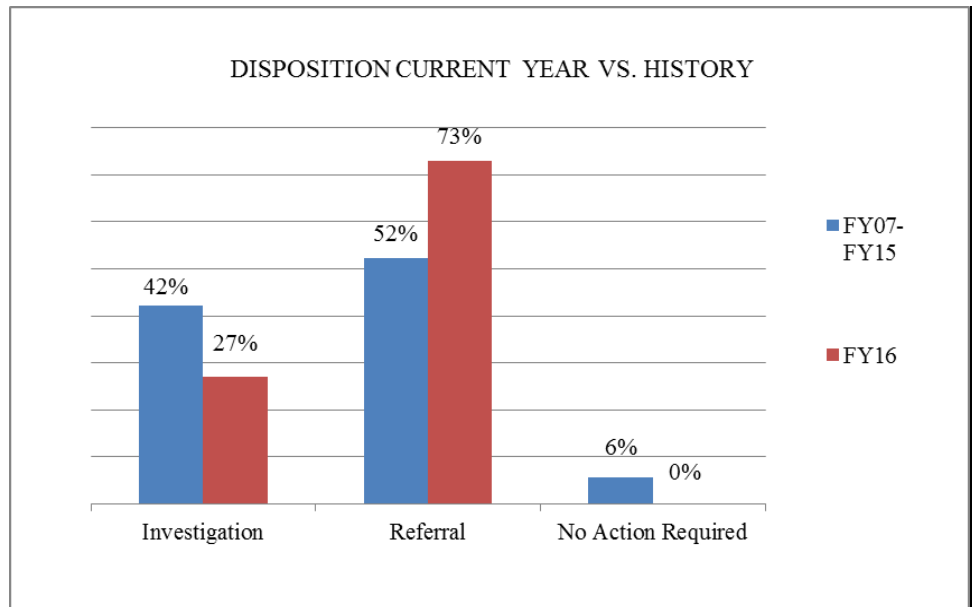
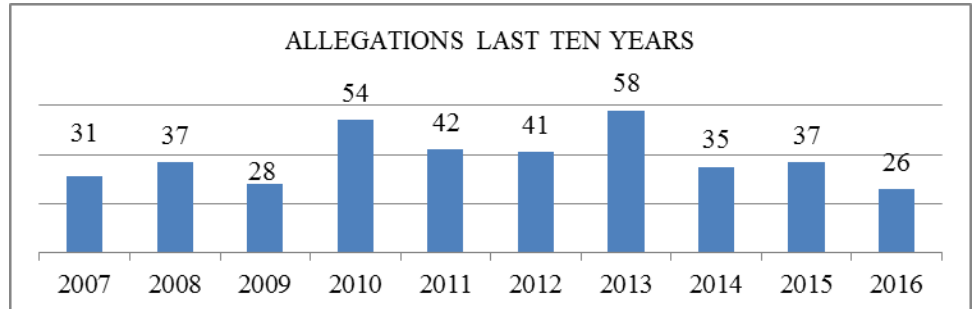
For more information, please contact Greg Akers, at 804-748-1240 or akersg@chesterfield.gov

Fraud, Waste, and Abuse HOTLINE Program FY16 Annual Report

Summary

This report summarizes activities from July 1, 2015 to June 30, 2016 for allegations that came to our attention through the HOTLINE Program.

Internal Audit received 26 allegations. The highest percentage of contact 38% came from the Fraud, Waste, and Abuse Hotline. The primary reporting source was citizens (54%). Common allegations concerned potential government vehicle misuse and employee time abuse.



Internal Audit completed 9 investigations (including 2 in process from prior fiscal year), with 1 investigation in process at year-end. 7 allegations were substantiated and outcomes included 4 terminations, 1 voluntary resignation, 1 disciplinary action, and multiple recommendations for process improvement.

Internal Audit partners with the Center of Organizational Excellence on ethics training during County new employee orientations and provides training on internal controls and ethics to departments as requested. In Fiscal Year 2016, a total of 796 employees received ethics training.

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