



AUDIT SERVICES DEPARTMENT

ANNUAL STATUS REPORT

JULY 1, 2002 THROUGH JUNE 30, 2003

DATE OF PREPARATION: OCTOBER 16, 2003

October 16, 2003

The Honorable William E. Ward and
Members of the City Council
City of Chesapeake
City Hall - 6th Floor
Chesapeake, Virginia 23328

Dear Mayor Ward and Members of the City Council:

Enclosed is the Audit Services Department's Annual Status Report for the period July 1, 2002 to June 30, 2003. The following is a summary of some of the report's highlights.

A. COMPLETED PROJECTS

1. Audits and Analytical Reviews

We completed special audits of the Hazardous Waste Removal Contract, Charitable Solicitations, Central Fleet Parts Privatization, Software Licensing, and follow-up reviews of fiscal year 2002 performance and special audits. These audits were conducted for the purpose of determining 1) whether services were being provided in an economical, efficient, and effective manner, 2) whether stated goals and objectives were being achieved, and 3) whether City policies and contracts were being complied with. The reports contained recommendations which we believe will improve operations, reduce costs, or otherwise enhance the department's operations.

- The Hazardous Waste Removal Contract audit evaluated compliance with the City's hazardous materials contract. Purchasing agreed to implement the report's one recommendation.
- The Charitable Solicitations audit reviewed the use of and compliance with the City's charitable solicitations policy. The report contained five recommendations, all of which the City agreed to implement.
- The Central Fleet Parts Privatization audit compared the cost of outsourcing the Central Fleet parts operation against continuing to provide the service in-house. For both target and non-target services costs, the selected vendor's bid was

substantially less than the projected cost for the City to operate Central Fleet Parts and Service in each of the five years included in the comparison.

- The Citywide Software and Licensing audit evaluated the City's compliance with software licensing requirements. The report contained three recommendations, all of which the City agreed to implement.

The actual managerial summaries, including specific findings, recommendations, and responses are detailed within this report.

2. Technical Assistance

We provided technical assistance to the City and its affiliated organizations on 22 projects. Of these, the most significant were as follows:

- We answered questions related to the new accounting system that the Airport Authority purchased during FY2002. The Authority indicated that the new system assisted them greatly in tracking the Authority's financial activities. As result of these efforts, the Authority nominated one of our employees for a star performer award.
- We participated on the task force that helped consolidate the City's five mosquito control commissions into one commission. Specifically, we assisted the Commissions with their development of workload indicators. We also provided suggested language for the proposed contract's audit clause.

B. PROJECTS IN PROGRESS

At year-end, we were working on a special audit of Cellular Telephones as well as Year End work associated with the City's FY 2003 financial audit. With the exception of the new Finance System, HIPAA, and the Mowing Contract, most of our technical assistance projects were nearing completion.

Very truly yours,

Signed

Jay Poole
City Auditor
City of Chesapeake, Virginia

cc: Clarence V. Cuffee, City Manager

CITY OF CHESAPEAKE, VIRGINIA

AUDIT SERVICES DEPARTMENT
ANNUAL STATUS REPORT
JULY 1, 2002 TO JUNE 30, 2003

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A. SUMMARY
AUDITS & ANALYTICAL REVIEWS

Managerial Summary

A. Introduction, Background, and Scope

We have completed our review of the City's Hazardous Waste Removal Contract (HWR Contract) services that were provided to various City departments during FY 1999–2000 and FY 2000–2001. The review was performed as part of our review of the City of Chesapeake's negotiated contracts. We analyzed the propriety of material handling service costs to verify the accuracy of vendor invoices submitted to the City for payment processing. We compared the costs of individual service transactions with agreed upon service costs reflected on the City of Chesapeake RFP Hazardous Waste Removal dated August 19, 1999 (contract) and The Virginia Petroleum Storage Tank Fund Reimbursement Guidance Manual Volume II UCR Schedules 3rd Edition (198 UCR Schedule). The review was conducted in accordance with Government Auditing Standards and included such tests of records and other audit procedures, as we deemed necessary in the circumstances.

To complete our review, we met with several representatives from the Fire Department, Public Works Department, Purchasing Department, and the HWR Contract vendor to gather information specific to HWR Contract services. We analyzed vendor paid files to ascertain the nature of services provided and compared those services to the costs reflected on the contract and the 198 UCR Schedule to identify potential questioned costs.

In August 1999, the City requested prospective vendor bids for hazardous materials services via a Request for Proposal (RFP). W.L. Black Associates (HWR Contractor) had been previously awarded the contract in 1995 and won the contract again in 1999 due to their expertise in handling of contract materials.

Based upon our review, it appeared that the HWR Contractor's rates were generally consistent with the amounts specified in the contract and his subsequent price adjustment schedules. However, particularly as it related to a special clean-up project initiated in November 2000, these amounts exceeded the rates that the City would have paid if it had been able to get the HWR Contractor to formally agree to use an alternative schedule. For this reason, we are recommending that the City strengthen future HWR contract controls and ensure that future special situations or projects are covered by a formal agreement.

A draft copy of this report has been provided to the City Attorney's Office and Purchasing Department officials. Management generally concurred with our recommendation and is in the process of revising the language in the next contract.

It should be noted that the primary objective of this audit was to determine whether the City was billed appropriately for the material handling services that were provided during FY 1999-2000 and FY 2000-2001. We anticipate that the nature of our findings will prove helpful in future bidding of contracts and follow-up reviews of costs related to material handling services.

B. Hazardous Material Service Cost Analysis

In our review and comparison of costs related to material handling services received, we found that contract costs were applied consistent with the existing 1999 contractual arrangement. However, because the City did not update the contractual arrangement for a significant special project, there was considerable confusion regarding how that project's costs were to be charged.

1. Contract Arrangements

Finding – Contractual arrangements were not always approved or updated as necessary. This led to confusion about applicable contract terms and may have resulted in lost savings to the City.

Recommendation - Future HWR contracts should be more closely scrutinized to ensure that they serve the City's best interests.

Response - We concur with the findings of the Auditor and are taking steps to avoid similar problems in future contracts. The City is currently soliciting proposals for a new contract that separates emergency from non-emergency hazardous waste removal. For emergency hazardous waste removal, the contractor will conduct immediate removal services based on the severity of the emergency at pre-negotiated contract prices.

Non-emergency waste removal will require the new contractor to provide a research report of the nature and extent of the proposed environmental waste removal. Upon review by the City, the contractor will furnish a formal quote for each job to include all costs associated with the unique job. The contractor will be required to provide a methodology for the job, and will not be permitted to charge costs above that negotiated.

Finally, the contract will provide that only the Purchasing and Contracts Manager is authorized to modify the contract, whether the job is short or long-term. In addition, an annual cost review will be conducted by the Fire Department of the jobs performed to avoid escalating costs and misunderstandings.

Managerial Summary

A. Introduction, Background, and Scope

We have completed a special audit of Citywide Charitable Solicitation Activity for the period July 1, 2000 through June 30, 2001. The purpose of our review was to identify those areas within the City that participated in charitable activities and to evaluate whether charitable transaction activity complied with City Administrative Regulation No. 18, Solicitation of Donations, dated May 23, 2000 (Administrative Regulation 18). We evaluated transactions to determine the nature of the fund-raising activity and to ensure that funds were disbursed for intended purposes. The review was conducted in accordance with Government Auditing Standards and included such tests of records and other audit procedures, as we deemed necessary in the circumstances.

While charitable solicitation activities have occurred throughout the City for a number of years, no complete listing of departmental activities had been assembled. Therefore, we conducted a formal survey to inquire about ongoing City-sponsored charitable activities within each department. We then interviewed key departmental personnel regarding the charitable activities identified. Based on those interviews, we found that some departments did not participate in charitable solicitation activities during our identified audit period. In those instances we elected to look at current period activity.

Our survey revealed that 12 departments regularly participated in charitable solicitation activities. Those areas included Economic Development, Fire Department, Police Department, Real Estate, Treasurer, Parks & Recreation, Public Communications, Community Services Board, City Clerk, Human Services, Intergovernmental Affairs, and Libraries and Research Services. We focused our attention on those areas that maintained accountability for activity within the City's accounting system, as well as, areas that maintained separate bank accountability for their charitable solicitation transactions.

We appreciate the courtesy and cooperation of City staff during our review. In addition, the following individuals were instrumental in highlighting and clarifying issues noted in Administrative Regulation 18:

Barbara Carraway
Dana Sanford

City Treasurer
Assistant City Attorney

Formal written charitable solicitation summaries have been provided to departmental managers, and we held verbal discussions with them in regards to our identified concerns. Their comments regarding our suggestions have been considered in the preparation of this report. Management generally concurred with our recommendations and is in the process of implementing them. Their comments are included as Appendix A.

Major Observations and Conclusions

Our review of solicitation activity records indicated that significant consideration had been given to planning the scheduled events. Summarized financial data revealed that the departments had accomplished their overall objective of providing aid to those in need.

The activity, purpose, and fund use were described in the unit's fund-raising letter or phone request and flyer notifications. Informative highlights regarding the department's official mission statement was disseminated to the prospective donor.

For the purpose of this report, a chart summarizing citywide charitable activities is provided along with our audit findings. Responsible department personnel were very responsive to our concerns and receptive to our suggestions regarding these activities.

B. Charitable Solicitation Activity Summary

The City has always recognized the importance of charitable solicitation activities and applauds its departments for promoting the welfare of individuals and members of the community as a whole. Administrative Regulation 18 was issued to provide standard procedures for employees and volunteers to follow when conducting those activities.

We reviewed a total of twenty-one activities from nine of the identified departments and elected to defer our review of the remaining three departments due to the limited nature of the transactions occurring. While we did not note any major policy deviations, we found that the practices and procedures described in Administration Regulation 18 were not always followed.

C. Significant Findings

While the departments had devised procedures to account for their charitable solicitation activities, we identified areas where controls should be strengthened to enhance overall activity accountability.

1. Maintenance of Official Records

Finding – We found that departments did not always maintain written records to summarize their charitable solicitation activities.

Recommendation – Departments should ensure that written records are maintained for all charitable solicitation activities.

Response – Department management generally concurred that records should be maintained for monetary transactions related to its charitable solicitation activities.

However, they generally considered it burdensome to record and account for the voluminous non-monetary gifts received and the donors associated with those gifts. In such instances, management preferred not to record these transactions.

2. Record Retention Period

Finding – Records were not always maintained for the required 4-year period.

Recommendation – Departments should ensure that records are maintained for the required 4-year period.

Response – Department management generally agreed with this recommendation. Records will be maintained for the required 4-year period.

3. Bank Account Establishment

Finding – Bank accounts were not always established in the City of Chesapeake's name and did not bear the City's federal identification number.

Recommendation – Departments should ensure that when separate bank accounts are opened, they are properly established in the name of the City of Chesapeake, and that the accounts bear the City's federal identification number.

Response – Department management stated that the identified activities will be closed out and that future charitable solicitation events will be accounted for within the City's mainframe system. This action will eliminate the need for the established separate bank account.

4. Use of the Solicitation Request Form

Finding – Department Head authorization and approval for the conduct of charitable solicitation activity within its responsibility areas was not always noted on the Solicitation Request Form.

Recommendation – Departments should always use the Solicitation Request Form to indicate proper authorization and approval for ongoing charitable activities.

Response – Department managers concurred with this recommendation. The solicitation request form will be used to note the authorization and approval for department sponsored charitable solicitation activities.

5. Reconciliation of Receipts and Disbursements

Finding – Monthly reconciliations of charitable solicitation activity receipts and disbursements had not always been performed.

Recommendation – Departments should enforce reconciliation of monthly receipt and disbursement transactions to ensure that all items have been properly included.

Response – Management concurred with this recommendation. Responsible individuals will be instructed regarding the reconciliation requirement for receipts and disbursements transactions against the official bank statements received.

September 13, 2002

Mr. Clarence V. Cuffee
Acting City Manager
City of Chesapeake
City Hall--6th Floor
Chesapeake, Virginia 23328

Dear Mr. Cuffee:

We have completed follow-up reviews of our Citywide Expenditure Transactions, Airport Authority, and Pavement Management System & Infrastructure Inventory System audits for FY 01. We have also completed follow-up reviews of our Citywide Complaint Processing Program and Citywide Payroll System audits for FY 00. In addition, we have completed the follow-up review of our Chesapeake Museum and Information Center, Incorporated audit for FY 99. These prior year audits were selected because the recommendations from these reports were not fully implemented. The reviews were conducted in September 2002. The status of 22 recommendations from these reports was as follows:

- 12 had been implemented
- 5 were in the process of being implemented
- 1 was partially implemented
- 4 had not yet been implemented
- was not agreed to & was not implemented
- will not be implemented

A copy of each review is included in this report. Please let us know if you have any questions.

Sincerely,

(Signed)

Jay Poole
Director of Audit Services
City of Chesapeake, Virginia

NLS

FOLLOW-UP REPORT
CHESAPEAKE MUSEUM AND
INFORMATION CENTER, INC
FINAL REPORT

September 2002

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CHESAPEAKE MUSEUM AND INFORMATION CENTER, INC. REPORT

Fund Raising

1. Fund Raising Plan

Finding - The Museum did not have a comprehensive fund-raising plan.

Recommendation - The Museum should develop a comprehensive fund raising plan as soon as feasibly possible.

The plan should include specific details regarding marketing plans, pursuit of grants, contribution solicitation, corporate sponsorships, memberships and other sources of revenue. We would also suggest that the Museum contact the City's Economic Development and Intergovernmental Affairs Departments for assistance in identifying corporate and grant contacts. Developing this comprehensive plan is necessary for the Museum's continued operation.

Status – This recommendation had been implemented. The Museum implemented the Fund Raising Plan in March 2002. The Plan identified fund-raising/special projects for the FY 2003 and discussed future initiatives and programs for raising funds. Five committees (Membership, Fund-raising, Development, Marketing, and Special Projects) were established with areas of responsibilities and members were assigned to each committee.

Subsequent Auditors Note: After the release of this follow-up report, we discovered that, while the Museum had developed a fund-raising plan, the plan was not being fully executed. In March 2003, the City agreed to provide the Museum with \$7,500 for operating expenses, and in May 2003, the City added an additional \$20,000 from the 2003-2004 Operating Budget. The Museum, however, has been unable to raise sufficient funds outside of the City's contributions to operate the Museum. The Museum's Executive Director resigned in August 2003, and the City Council has created a committee to consider operational alternatives for the Museum.

FOLLOW-UP REPORT
CITYWIDE COMPLAINT PROCESSING PROGRAM
SPECIAL AUDIT

September 2002

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CITYWIDE COMPLAINT PROCESSING PROGRAM REPORT

Complaint System Findings & Recommendations

1. Mainframe System Usage

Finding – The Mainframe Complaint System was initially designed for citywide use; however, only the City Manager’s Office used the system extensively.

Recommendation – The City should eliminate the use of different programs and centralize complaint resolution activities.

A centralized complaint system should provide an awareness of total citywide complaint volume and a more efficient means to notify those who are responsible for investigating the complainant’s concern. Furthermore, while follow-up calls may be necessary, departments should monitor the complaint system to obtain assignments. The City Manager’s Office should periodically monitor and review the complaint system to ensure that complaints are properly addressed.

Response – Agree that the duplication of various individual departmental programs should be eliminated. Replacement of the existing system would provide enormous improvement over the current system as it relates to the efficacy of managing citizen concerns, customer responsiveness and analytical capabilities. After the Y2K issue is behind us, this should receive high priority attention for implementation.

Status – This recommendation had not yet been implemented. The previous City Manager delayed implementation of this recommendation and funding was removed. Subsequently, the City Manager’s Office has begun a reexamination of the entire issue.

2. System Attributes

Finding – Some mainframe system capabilities had not been fully used, many attributes were considered inadequate for the proper handling of complaints received. We found that the current VM/ESA system was outdated and did not provide options considered necessary in work performance.

Recommendation – The City should gain an understanding of complaint activity handling and processing needs so that complaint system attributes can be fully utilized. Consideration should also be given to replacement of the existing Mainframe Complaint System.

Inquiry should be made of those who process complaints to obtain desired system attributes to ensure prompt activity handling. Consideration should also be given to replacement of the current Mainframe System with an updated system that includes the attributes considered necessary for work performance. However, should the City decide not to replace the system, efforts should be undertaken to ensure that the existing system and its attributes be used to the fullest extent possible. Training would also be needed in regards to the existing system to ensure that employees have a complete understanding of their responsibilities.

Response – Generally agree, the current system is so limited I question the value of requesting that it be used more fully. In planning for the purchase of the new system, City Manager’s Office and departmental needs for handling and processing citizen concerns should be further analyzed. (See above for replacement discussion).

Status – This recommendation had not yet been implemented. The previous City Manager delayed implementation of this recommendation and funding was removed. Subsequently, the City Manager’s Office has begun a reexamination of the entire issue.

3. Complaint System Accuracy

Finding – We found complaint statuses were not accurate in the City’s Mainframe System and in some departmental databases.

Recommendation – The City should continue to evaluate systems that would enhance citywide complaint processing.

Complaint processing functions and employee participation levels should clearly be defined to ensure that complaints are properly handled. In the current environment, the City may also wish to improve system accuracy through a combination of efforts:

- (1) Reduce paper response documents by requiring areas with system access to provide responses through the system.
- (2) Establish time requirements for areas allowed paper document submittal to ensure proper system update.
- (3) Perform complaint system review to update status for errors noted.

Response – Agree with the recommendation that the accuracy of complaint system processing and participation should be monitored. This office believes that responsiveness to citizen concerns is foremost a department head responsibility and should be given priority attention. This office should only serve as the conduit and not have to “badger” departments for responses. Further, many localities are now moving the citizen concern process out of the Manager’s office and going to a centralized information “call center concept”. (See attached memo).

Status - This recommendation had not yet been implemented. The previous City Manager delayed implementation of this recommendation and funding was removed. Subsequently, the City Manager's Office has begun a reexamination of the entire issue.

4. Citywide Policy and Procedures

Finding – A standard citywide uniform policy had not been adopted for complaint processing and resolution. We also noted that consideration had not been given to use of complaint processing accountability standards in the employee evaluation process, and that a citywide information/communication flow had not been established. In our review, we found that complaint resolution written policies and procedures were not current in three of the six areas that handle high volumes of external complaints.

Recommendation – Citywide complaint processing policies and procedures should be developed and adopted.

The City should formulate complaint processing policy and procedures and accountability standards for citywide use to ensure proper investigation, handling, and resolution. By practicing the handling methods devised, complaint processors will develop the work habits necessary to ensure the efficiency required of them. Efforts should also be undertaken to revise policies and procedures when changes occur in the operational environment. Consideration should also be given to establishing specific information and communication requirements to be used in the complaint resolution process.

Response - Agreed that citywide standards for complaint processing should be developed and followed to ensure consistency in complying with standards.

Status – This recommendation had not yet been implemented. The previous City Manager delayed implementation of this recommendation and funding was removed. Subsequently, the City Manager's Office has begun a reexamination of the entire issue.

FOLLOW-UP REPORT
CITYWIDE PAYROLL SYSTEM AUDIT
SPECIAL REPORT

September 2002

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CITYWIDE PAYROLL SYSTEM AUDIT REPORT

System Accuracy Issues

Overall, Departments of Finance, Human Resources, and Information Technology have improved the operations of the current payroll system since the issuance of our report. In addition, the departments concur with our conclusion that the purchase of a new payroll system is needed. The new system would result in a more efficient process and improved payroll reporting and management.

1. Data Entry Errors in Employee Master File

Finding – Over 8,100 errors were found in the Employee Master File.

Recommendation – The errors identified should be corrected immediately and periodic reviews of the information contained in the payroll system database should be initiated.

To address these data entry errors on a comprehensive, citywide basis, we suggest the following five actions:

1. Departments should be assigned primary responsibility for their payroll databases. Each department should take steps to ensure that their database is accurately maintained.
2. Human Resources should update the supporting documentation for the system to establish an authoritative reference for coding in the system and correct any errors in the Pay Plan document. Once the documentation is complete, extensive training should be provided to all payroll clerks so that they are all aware of what the correct database entries should be.
3. After training sessions are completed, all departmental payroll clerks should verify the accuracy of each payroll record in the system. This verification should occur in conjunction with the implementation of the on-line data entry program for Personnel Action Form that is being developed by the Information Technology Department.
4. Once the verification is complete, Information Technology should verify the payroll updating routines and programs to ensure that they still function properly.
5. Departments should verify the accuracy of their database on at least an annual basis. Information Technology should facilitate the annual verification by making the appropriate read-only screens and reports available to payroll clerks.

While these procedures should help reduce the volume of data entry errors, we believe that, in the long term, the most effective means of addressing the data entry and other payroll processing issues is by purchase of a new payroll system. Certainly we recognize that the system will be expensive. However, over time, it would make the City's entire payroll process more efficient, reduce time spent manually verifying data

and correcting errors, and provide the City with improved management and reporting capabilities.

Status - This recommendation was in the process of being implemented. While most of the actions required to implement the recommendation had been completed, Human Resources and Information Technology development of the on-line data entry system for Personnel Action Forms was not to start until the second half of 2003. Converting all batch and online systems to a new operating system (OS/390) was considered a higher priority this year by Information Technology.

2. Database Ownership

Finding – No responsibility had been effectively assigned to maintain the accuracy of information entered into the Employee Master File. There was no database ownership established and no verification process was in place for any information other than social security number.

Recommendation – Primary responsibility for payroll database information and accuracy should be assigned to departments. Departments should take steps to ensure their databases are adequately maintained.

Information Technology is in the process of developing an online PA form that the departments will be able to access. Once this occurs, departments should review each payroll record and eliminate all of the errors. Departments will then be responsible for ensuring that their payroll records are accurately maintained. A re-verification of the database should occur on at least an annual basis.

Status – This recommendation was in the process of being implemented. As stated above, Information Technology had put a hold on developing an online Personnel Action Form that the departments could access. Once that occurs, departments should have the tools to key data directly into the system and review the data to ensure payroll data integrity.

Control Issues

1. System Design and Function

Finding – The design and function of the City's payroll system lacked sufficient controls to detect data entry errors.

Recommendation – Additional internal data verification routines should be developed.

Additional data comparison and verification routines should be developed for the payroll system. Such routines would provide assurance that erroneous payments are not processed and that payroll information is complete. Attributes such as overtime and work hour verification and cost distribution along with other information considered useful should also be captured in the system.

Status – This recommendation was in the process of being implemented. Information Technology indicated that development of the on-line data entry system for Personnel Action Forms was not to start until the second half of 2003. The system will identify payment errors at the time the departments enter the changed data instead of when the payroll has been run. Changes in data will be logged to the responsible departments and an authorized supervisor will have to sign off on changes.

2. Payroll Requirements

Finding – The City’s payroll processing manuals were outdated. Payroll clerks did not have an up-to-date, single information source concerning preparation of the Personnel Action Form or performance of the payroll processing function. This situation resulted in payroll processing errors.

Recommendation – The City’s payroll manuals should be consolidated and updated.

A single manual should be developed that incorporates all current payroll-processing standards. Once developed, these standards should be communicated to all departments. Furthermore, payroll and personnel processing employees should be provided sufficient training to ensure that payroll is processed appropriately. Any exceptions to standard practices should be identified and followed-up. Also, the design of the established standard operating procedure manual should allow for subsequent updates, and such updates must be disseminated to all those affected to ensure the proper handling of the payroll function.

Status - This recommendation was in the process of being implemented. The Payroll Policy and Procedures Manual was fifty percent complete and Finance expected the final Manual to be completed by October 15, 2002. As draft sections are written, a panel of payroll clerks reviews them for accuracy, readability, and clarity. Finance indicated that it has a technical consultant on the project with a background in developing technical policy and procedures manuals.

FOLLOW-UP REPORT
CITYWIDE EXPENDITURE TRANSACTIONS
SPECIAL AUDIT

September 2002

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CITYWIDE EXPENDITURE TRANSACTIONS REPORT

1. Reverification of Account Distributions

Finding – The Accounting Division in Finance (Finance) did not generally review account distributions when reverifying invoices.

Recommendation – Finance should ensure that account distribution information is reverified.

Finance management should establish and maintain an effective control system of monitoring the review process of reverifying the account distribution information as follows.

- Train Finance staff in what they need to look for in reverifying the account distribution information,
- show Finance staff how to reverify the account distribution information, and
- monitor whether the account distribution information reverified by Finance staff is actually performed according to applicable City policies and procedures.

Status – The recommendation has been implemented. Finance has taken the position that it reverifies the account distribution on purchase orders and/or the Vendor's Invoice Payment Certification Form by performing a cursory review of the account code to ensure reasonableness. In April 2001 Finance held refresher training for the Accounts Payable staff. The training included reviewing the Supplemental Interim Financial procedures for payment processing, procedures for auditing invoices/travel vouchers, and discussed various examples of account code reasonableness. Also, the staff was provided written Travel Advance/Expense Audit Guidelines to address the areas of travel expenditures and proper account coding.

2. Application of Discounts

Finding – Discounts were not applied consistently.

Recommendation - Finance should attempt to ensure that discounts are consistently applied. Finance should review that the required initials and highlighted discounts are indicated on the invoices.

As a practical matter, it is difficult for the City to process conventional discounts such as 2% net 30 under the current system. Therefore, with the assistance of Purchasing staff Finance should attempt to identify vendors willing to accept discounts and the terms under which such discounts would apply. Finance should then notify the departments of these terms and encourage them to submit invoices for these vendors within the specified time frames. Such actions will help ensure that the City consistently receives available discounts.

Response - Accounts Payable will work with Purchasing to ascertain which vendors actually offer discounts. Once such vendors are identified, Purchasing will be responsible for notifying the various departments of these vendors, their discounts, and the payment terms required for capturing these discounts. Accounts Payable staff will then be trained as to which vendors offer discounts and how these discounts should be emphasized by the various departments, so that discounts can be monitored during the audit of vendor payments.

Status – The recommendation was partially implemented. In April 2001 Finance held refresher training for the Accounts Payable staff. The training reiterated the need for staff to apply discounts, re-emphasized the need to circle the discounts in red and initial the invoice to certify completion, and promptly process the discounted invoice for payment. However, Purchasing and Finance should identify vendors willing to accept discounts and the terms under which such discounts would apply. Finance should then notify the departments of these terms and encourage them to submit invoices for these vendors within the specified time frames.

FOLLOW-UP REPORT
PAVEMENT MANAGEMENT SYSTEM
&
INFRASTRUCTURE INVENTORY SYSTEM
SPECIAL AUDIT

September 2002

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PAVEMENT MANAGEMENT SYSTEM & INFRASTRUCTURE INVENTORY SYSTEM REPORT

Pavement Management System and Infrastructure Inventory System

In reviewing the PMS/IIS project, we found that City staff did a good job in preparing the Request For Proposal with a fully developed project scope. However, we did identify concerns related to the project cost estimate, budget transfer documentation, and the lack of formal contracts.

1. Project Cost Estimate

Finding - The initial funding request for the PMS/IIS project appeared to be unrealistically low.

Recommendation – Funding requests for new projects should be as complete and realistic as possible.

Realistic and complete project estimates should be developed for all proposed projects. The complete cost estimate should be presented to the City Manager's Office at the time the project approval is requested. In addition, the City Manager's Office should be notified of any significant variance noted from the previous estimate. The estimate should be comprehensive and should include all major elements of the project. This practice would provide management with specific, reasonable, verifiable information to use in its decision process regarding potential capital projects.

Response – Concur. While Public Works always attempts to provide realistic estimates, circumstances can cause these to be inaccurate. In cases where significant variances occur, the City Manager's Office will be notified using the new Project Funding Source document.

Status – This recommendation had been implemented. Public Works had put in place procedures to communicate to the City Manager's Office realistic project estimates for proposed professional service projects. A Project Funding Source form was included in documentation provided to the City Manager's Office. The Project Funding Source form identified relevant project data and budget and appropriation funding sources.

2. Budget Transfer Documentation

Finding – The purpose of the budget transfer used to help create funding for this project was not clearly identified in the transfer's supporting documentation.

Recommendation – Management should devise a cover sheet that clearly identifies information regarding requested "transfers from and transfers to" funding sources for new capital projects. In addition, a similar cover sheet should accompany the original cost estimate presentation.

In addition to the accounting information currently provided on the budget transfer sheet, the cover sheet should specifically include:

- Whether or not the transfer will create a new capital project
- Project cost before the transfer
- Project cost after the transfer
- Budget source of transferred funds
- Designation of funds transferred
- Any other information needed to clarify the request
- Reviews and dated approvals of any affected departments, including the initiating departments, Purchasing, Budget and Finance.

The project should also be included in the subsequent year's capital budget. These steps will help ensure that management is fully aware of and has adequate control over funding transfers that create or expand capital projects.

Response – Concur. The Project Fund sheet referred to in item #1 will serve the purpose along with a memorandum that addresses all of the items recommended by the auditors.

Status – This recommendation had been implemented. Public Works provided the City Manager's Office a memorandum requesting contract award approval for professional services projects that included information on work requested, completion time, bidding results including a request to award the contract to the winning bidder, and funding sources and amount required to complete the project. In addition, a Project Funding Source form was attached that provided relevant descriptive project data and detailed budget and appropriation funding sources.

3. Contractual Agreement

Finding – No formal contract document was prepared for the PMS/IIS project.

Recommendation – The City's professional service projects should be properly negotiated. The resulting terms should be formulated in a formal contractual agreement.

The City and the offeror should enter into a written contract once negotiations are satisfactorily completed. Additionally, the contract should precisely define the scope of services to be provided, conditions of the professional agreement, the work plan and schedule, personnel requirements and the method of payment. These formal contracts should help ensure that the City's interests are adequately protected.

Response – Concur. This change in procedure has already taken place.

Status – This recommendation had been implemented. The City and the offeror entered into a written contract once negotiations were satisfactorily completed for professional services. The contract defined the scope of services to be provided, conditions of the professional agreement, the work plan and schedule, personnel requirements, method of payment, prohibition on employment discrimination, taxes, insurance, and dispute procedures.

FOLLOW-UP REPORT
AIRPORT AUTHORITY
PRELIMINARY REPORT

September 2002

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AIRPORT AUTHORITY REPORT

C. Property Acquisition and Fee Collection Issues

1. Property Acquisition Transactions

Finding – The Authority purchased two properties for a total of \$705,000 without obtaining independent appraisals on either property.

Recommendation – The Authority should always obtain independent appraisals for any property acquired.

In the future, the Authority should obtain an independent appraisal any time additional real property is acquired. Such an appraisal will help ensure that the Authority has all of the information it needs to make sound decisions regarding these transactions and obtains the best possible prices.

Original Preliminary Comments – A major area of concern addressed by your team of auditors related to the Airport Authority's purchase of two properties in 1999, and the fact the properties were not appraised prior to purchase. The implications are made that the Authority paid more for the properties than their apparent worth, and that the Authority in effect paid for land it already owned. Both implications are wrong.

As part of the airport's current \$2.5 million expansion and improvement project, funded by the \$2.5 million airport bond issue, the Authority made the decision that it was in its' best long term interest to control/own all real property at the airport. Prior to 1999, the only hangars at Chesapeake Regional Airport were privately owned. They were built on land owned by the Authority, but leased by private owners under the terms of long-term land lease arrangements. This land lease arrangement was, at the time it was made, the only viable opportunity for hangar development at the airport.

One of the acquisitions involved the purchase of buildings on land leased by Horizon Aviation PLUS the acquisition of its leasehold interest in the real estate on which the improvements had been constructed. The other purchase involved the acquisition of three T-Hangar buildings constructed on property leased by Chesapeake Hangar Associates PLUS the acquisition of its leasehold interest in the property on which those T-Hangars were located. In both cases, the Authority purchased the long-term leasehold interests for several acres of adjacent, unimproved parcels of land that were key to the planned development of the airport. Your audit team was correct in concluding that outside written appraisals were not obtained in connection with these acquisitions. There are several very valid reasons, however, which were not recognized by your team, which validate the Authority's rationale for not obtaining the appraisals.

Your audit team concentrated on the value of the buildings being purchased, without considering the present value of the tenants' leasehold interests in the land which were also being acquired by the Authority. These leases, on which the improvements had been constructed, had been entered into a considerable time ago on

terms and conditions which, although very fair at the time, now appeared to be very favorable for the tenants. The unimproved portion of the property leased by Chesapeake Hangar Associates was critical to the Airport's development plan and, for that reason alone, the Authority's ability to purchase the leasehold interest for that parcel had significant value (controlling the land adjacent to ramps, taxi ways, fuel facilities and runway).

During negotiations for the purchase of the hangars, the Chairman of the Airport Authority, as well as the Authority's Hangar Committee, met with members of the City's real estate appraisal staff to discuss determining value of what were unique properties. It is extremely rare that airports and/or their related facilities are sold in "arms length" transactions. If such properties are sold, it is most often in distressed situations. Other sales result from plans to convert them to other uses. A lack of available information on comparable property sales hindered the ability to obtain a fair market valuation.

Another method of assessing the value of properties is through estimating the replacement cost of the improvements. Based on discussions with contractors specializing in airport facility construction, the replacement cost after an allowance for depreciation for the Horizon Aviation office and hangar is estimated at \$407,000; purchase price was \$200,000. The depreciated replacement cost for the Sasser hangars acquired is estimated at \$708,000; purchase price was \$520,000 (+/-). These replacement costs do not include value of the land leases, which were included as a cost free "bonus".

The Hangar Committee, in attempting to arrive at a fair and reasonable price for the improvements that were being acquired, also considered the income the Authority would receive by owning these properties. The hangars and other improvements that were being acquired were being leased to other tenants (aircraft owners). The properties being acquired from Horizon Aviation were to be leased back by the Authority to Horizon. When viewed from an income approach, the price paid by the Authority for the properties was reasonable. Because under all approaches the Hangar Committee believed it was paying a fair price for the properties, the Authority believed that paying \$4,000 - \$5,000 for two appraisals would be an unnecessary cost for unreliable information.

In hindsight, the Authority agrees that a prior appraisal of the properties would have substantiated their conclusion of fairness while eliminating any possible misperceptions of impropriety. Appraisals will be obtained prior to any future property acquisitions.

Revised Comments – The original preliminary comments remain valid.

Status – This recommendation had been implemented. Federal Aviation Administration (FAA) Advisory Circular 150/5100-17 provides detailed guidance to Airport Sponsors regarding land acquisitions using federal funds, including the requirement to have land appraised. The FAA has provided a tentative allocation of funds to the Airport Authority in FY 2003 to purchase property northeast of the Airport (some through aviation easement and some in fee simple). These property rights will allow the Authority to remove the obstructions in the approach surface to Runway 23. The estimated cost

includes funds necessary to have the properties appraised. Once all funding has been approved and grants signed, the Authority will move forward with appraisals and acquisitions in accordance with FAA guidance. The Authority indicated that all future acquisitions will be handled in the same manner.

2. Fuel Flowage Fees

Finding – It did not appear that the Authority was receiving all of the fuel flowage fees it was due. We were unable to verify the proper amount of the fees because the Airport Manager/FBO denied us access to his corporate ledgers.

Recommendation – The Authority should take steps to ensure that it receives all of its fuel flowage fees.

The Authority should decide to what extent, if any, it is willing to formally waive past fuel flowage fees. Any past, current, or future waivers should follow applicable contractual guidelines and be signed by all involved parties. To the extent that these fees are not waived, the Authority should request that the Airport Manager/FBO authorize all of his suppliers to release all information regarding fuel deliveries to the Airport. Once this information is obtained, the fuel flowage fees should be recalculated and confirmed through a review of the corporate ledgers, and the Airport Manager/FBO should be required to remit any unpaid flowage fees. The Authority should also see that non-resettable meters are installed on all fuel tanks, so that fuel flowage can be independently verified. These steps should help ensure that the Authority receives all of the flowage fees due it.

Original Preliminary Comments – A significant portion of the preliminary report addresses the payment of fuel flowage fees to the Authority by the FBO. By contract, the FBO operates the fuel farm for Chesapeake Regional Airport. He purchases the fuel, sells it to customers, and provides a percentage of all sales to the Authority. As part of the audit process, the FBO provided your audit team with documentation for all of the fuel he has purchased since 1993, as well as documentation for fuel sold, gallons pumped, contractually required fuel flowage fees, and actual fuel flowage fees paid (summaries are attached). The potential difference in flowage fees paid to the Airport Authority since 1993 is \$138.78. This represents a potential fuel shrink total of one gallon per day, well within normal loss margin allowed for daily sumping, spillage, tank leakage, and truckload quantity errors.

In May of 1993, Horizon Aviation assumed responsibility for the airport's fuel system, which previously was operated by the airport's previous FBO. While performing the required due diligence, Horizon Aviation discovered several serious deficiencies in the existing fuel system. The Airport Authority was notified, and agreed to waive payment of flowage fees by the new FBO until December 1994 provided he pay for repairs to the fuel system. This was done and beginning in January 1995, fuel flowage fee payment resumed at the rate of \$0.02/gallon, although the FBO agreement only required a fee of \$0.015/gallon. In June 1998, the FBO voluntarily increased the flowage fee to \$0.05/gallon when the new fuel farm was constructed.

In July 1999, a new FBO agreement officially established a minimum fuel flowage fee of \$0.05/gallon on the first 750,000 gallons sold in a year, and \$0.075/gallon on all amounts in excess of that. The Airport Authority must question some of the supporting assumptions used by your audit team, specifically the comparison of airports to determine baseline for fuel flowage fee estimates. Your audit team compared fuel flowage rates for Chesterfield County Airport with Chesapeake Regional Airport based on similar runway lengths. Chesterfield reported the sale of between 650,000 and 700,000 gallons of fuel annually, while Chesapeake Regional Airport reported 125,000 to 150,000 gallons sold. Because the two airports are similar in several respects, your audit team assumed that the fuel flowage rate of Chesapeake should be much closer to that of Chesterfield. What they did not account for, however, is the fact that between 12 and 15 corporate jets are currently based at the Chesterfield Airport, none are based at Chesapeake. Corporate jets use significantly more fuel than the small, single or twin engine propeller planes that were based at Chesapeake Regional Airport, which accounts for the majority of the flowage rate difference.

Your audit team also indicated in its preliminary report that none of the fuel farm tanks have fuel flowage meters. This is simply incorrect. The FBO/Airport Manager personally showed the meters to members of your audit team. These meters (for both the fuel farm tanks and fuel trucks) cannot be reset by the FBO and are, at least annually, inspected and certified by the Commonwealth of Virginia. Without these meters, it would be impossible for the FBO to monitor any customer sales. Additionally, the FBO uses a software program that is integrated with the fuel meter system to track fuel sales. The software used is standard around the country, and automatically calculates fuel flow and cost, as well as generating receipts used as official documentation by the FBO for company accounting and tax records. It has been in use since approximately 1997, when it replaced an older DOS-based fuel usage computer program.

Revised Comments – The original preliminary comments remain valid.

Status – This recommendation had been implemented. The Airport Manager has spot-checked meter readings over the past 12 months. Beginning September 1, 2002 the Airport Manager will record monthly meter readings in order to verify FBO fuel flowage submittals.

3. Other Fees due from the Airport Manager/FBO

Finding – The Airport Manager/FBO did not remit land lease rentals, tie-down fees, or sewer costs as required by his contract. He also failed to reimburse the Authority for electric utility costs for more than one year.

Recommendation – The Authority should decide whether it wants to formally waive these unpaid fees or attempt to recover the unpaid fees from the Airport Manager/FBO.

The Authority should decide to what extent, if any, it is willing to formally waive the pre- FY 2000 unpaid fees. The Authority should also take steps to recover the \$6,952 in unpaid utility reimbursements incurred subsequent to the sale/leaseback transaction. In addition, any future contract modifications should be formalized and

signed by all involved parties, and staff should be notified of the relevant changes. Such actions will help ensure that the Authority receives all of the revenue to which it is contractually entitled.

Original Preliminary Comments – The preliminary audit report also addressed the payment, or non-payment, of lease and tie-down fees to the Authority. When the Chesapeake Airport was established in 1979, strenuous efforts were expended to find an FBO/Manager for the airport. After much searching, the Authority entered into an agreement with a company for such services. The arrangement included the lease of approximately five acres of land to that company, which required the tenant to construct certain improvements on the property. The annual lease amount was \$7,500. At the same time, another agreement was entered into with the same company to serve as airport manager; the company would receive a \$7,500 annual fee for management services. The authority and the company eventually considered the reciprocal payments as “a wash”, with payments from and to both parties ending. When Horizon Aviation was hired to assume responsibilities as FBO/Airport Manager, they assumed the same contract that was in effect with the previous FBO/Manager. Accordingly, the “wash” situation remained in effect until new management agreements were created in 1999. In hindsight, the Authority recognizes that the exchange of money should not have been discontinued, at least to ensure a more comprehensive accounting of the obligations. The issue of tie down fees, which are paid by aircraft owners for space on the airport apron to physically “tie down” their aircraft, has also been raised by your audit team as an area of concern. In its original FBO and Airport Management agreements, the Authority did require the payment of a portion of tie down fees received by the FBO/Manager. When Horizon Aviation was selected to assume the responsibilities of FBO/Manager, the company also assumed the burden of improving the deteriorating material condition of the airport.

The Authority realized that the new FBO/Manager would be operating on a very marginal basis. As it would be in the Authority’s best interest for the FBO/Manager to succeed, the Authority decided to waive receipt of tie down fees and to permit the FBO to receive those fees in consideration of its managing the tie down area. This decision assisted the FBO/Manager in beginning to make necessary improvements to the airport to keep it operational, while also allowing the Authority to forego hiring additional airport management and line service personnel.

Revised Comments – The original preliminary comments remain valid. However, the Authority has since hired an Airport Manager and Office Coordinator to conduct the administrative and financial management of the Airport.

Status – This recommendation had been implemented. The Airport Manager has installed a computerized accounting system. All reimbursable utility fees are invoiced to the FBO monthly. An amendment to the FBO rental agreement has been negotiated and should be signed in the near future. The agreement addresses a variety of outstanding financial issues between the FBO and the Authority. It establishes lease increases due to both leasehold improvements and the increase in consumer price index. It also delays implementation of the lease increases in recognition of the impact on general aviation by the terrorist attacks of September 11, 2001.

D. Other Financial and Operational Issues

1. Potential for Claims of Conflict of Interest

Finding – We identified several instances in which the dual roles that the Airport Manager was serving appeared to conflict with the Authority’s best interests.

Recommendation – The Authority should strongly consider re-evaluating its current Airport Manager/FBO arrangement to reduce the potential for claims of conflict of interest.

The Authority should ensure that its interests are being served by eliminating the potential for claims of conflict of interest that are inherent in its current arrangement with the Airport Manager/FBO. As we shall discuss in greater detail later in the report, the Authority should strongly consider alternative arrangements that separate the Airport Management and Fixed Base Operator functions. While the Authority evaluates its options, it should also take steps to ensure that its interests are being protected. These steps should include careful review of any agreements negotiated by the Airport Manager/FBO, to ensure that terms are as favorable as possible for the Authority.

Also, because of the Airport Manager/FBO’s repeated refusals to allow auditors access to accounting information necessary to verify fees due the Authority, the Authority should, at a minimum, consider whether the Airport Manager/FBO has violated his contractual obligations. Any future agreements should be strictly enforced and a clause should be inserted into the agreement prohibiting actual or potential conflicts of interest. Such action will help prevent a recurrence of the aforementioned problems.

Original Preliminary Comments – Your audit team raises several issues concerning a perceived conflict of interest resulting from using a single company to fill the dual roles of FBO and Airport Manager. While the separation of these two positions may be considered ideal, there is no inherent conflict of interest created by the current arrangement. In fact, many airports around the Commonwealth of Virginia, and country, do utilize the dual FBO/Manager arrangement. Even though your audit team did survey numerous Virginia airports, I do believe the results are somewhat skewed by comparing Chesapeake’s municipal general aviation airport to true commercial/passenger airports such as Dulles, Reagan, Roanoke, Norfolk International, Newport News, and Charlottesville. Additionally, many state airports included in the survey are smaller physically, as well as in scope of services provided, and simply do not generate enough business to support an FBO, thereby requiring a full time manager employed by the local authority or municipality.

Some specific COI issues raised included:

- *Compensation of FBO/Manager for value of land being leased from Authority.* This was addressed earlier in the report. Buying back the leasehold rights was imperative to the Authority’s ability to continue development of the airport, as well as increasing independent revenue sources.

- *Airport Manager is responsible for negotiating airport facility leases.* The Airport Manager is the contracted representative for the Airport Authority in leasing hangar space at Chesapeake Regional Airport. The Authority does maintain oversight through the Hangar Committee. Additionally, Authority members are provided summaries of the lease status of all hangars, including lessee, lease rate and delinquencies.
- *Alleged nonpayment of various fees.* The issue of fuel flowage and tie down fees was previously addressed. There was some confusion at the signing of the new management agreement in 1999 as to responsibility for payment of electric bills for the FBO hangar space; this error was discovered by Airport Authority staff and has been corrected.
- *Alleged lack of fuel tank metering.* This has been previously addressed. Meters are in place, and are certified annually by the Commonwealth of Virginia.
- *Alleged denied access to private FBO corporate records.* As chairman of the Chesapeake Airport Authority, I am satisfied that all available corporate records applicable to fuel flowage data was made available to your audit team. Other records of the FBO dealing with income from aircraft repairs, sales, and flight instruction are not pertinent to the audit, and should not be required to be made available for potential public disclosure.
- *Potential COI concerns of City Attorney's office and FAA.* Again, there is no inherent conflict of interest in having the FBO serve the dual role of Airport Manager. This arrangement can be found at airports around the country. Prior to entering into this agreement with Horizon Aviation, I discussed potential conflicts with the Commonwealth's Attorney, who saw no apparent COI in the dual FBO/Manager agreement. Although this may not be the ideal situation, current budgetary circumstances do not permit separating the FBO and Manager roles. The Airport Authority would be responsible for significantly higher contractual fees if the two positions were separated, as they would lose the economies of sharing staff and equipment that accompany the existing dual FBO/Manager arrangement.

Revised Comments – The original preliminary comments remain valid. However, since those comments the Authority decided not to renew the FBO's management contract and would, with additional funding from the City, hire an Airport Manager, Office Coordinator, and Airport Maintenance Technician.

Status – This recommendation had been implemented. An Airport Manager was hired and began work on July 23, 2001. The City increased its contribution to the Airport to \$313,000 for FY 2002 and an Office Coordinator was hired in December 2001. An Airport Maintenance Technician was hired in January 2002.

2. Potential Noncompliance with FAA Requirements

Finding – The FAA has notified the Authority that it may not be in compliance with some of its Federal requirements.

Recommendation – The Authority should attempt to comply with the FAA's recommendation.

The Authority should evaluate the amendments that it might be willing to make in its Minimum Standards to satisfy the FAA's concerns. Once these amendments are identified, the Authority should submit them to the FAA promptly should the FAA decide not to reconsider its original finding. The City should also make future funding increases contingent on satisfactory compliance with all FAA regulations. Such actions will help ensure the continued flow of Federal funds and reduce the potential for losses by the City and the Authority.

Original Preliminary Comments – Your audit team addressed the issue of the ongoing discussions between the Authority and the FAA regarding a complaint that an air service company was being unfairly excluded from operating at the Chesapeake Airport. The Authority strongly disagrees with this item being included in your audit report. It is not relevant to the financial scope of the audit as initially directed. That said, following continued correspondence with the FAA and our insurance provider, the Authority will notify the FAA of its intent to review its minimum standards, as they requested, in accordance with the Advisory Circulars recently published by the FAA.

Revised Comments – The original preliminary comments remain valid.

Status – This recommendation was in the process of being implemented. The minimum standards and rules and regulations were reviewed and revised in August 2001. A copy of those two documents was forwarded to the FAA for comment in October 2001. The Airport Manager was advised that the FAA Washington Airports District Office (FAA/WADO) would not provide comments until HQ FAA had issued a ruling on the Part 16 complaint made by Mr. Leonard. To date, that ruling has not been issued and the WADO has not provided comments. Over the past 12 months, the Airport Manager has worked closely with the FAA to resolve other issues and concerns. Based on these actions, the WADO has programmed grant funding for land acquisition and obstruction removal projects at Chesapeake Regional Airport in its FY 2003 Airport Capital Improvement Program. The Authority has indicated that it expects to be found fully compliant with its grant assurance as soon as the Part 16 ruling is issued.

Subsequent Auditor's Note – In October 2002, the Part 16 ruling was issued, and the Airport was required to make additional changes to come into compliance with the FAA. The Airport made those changes, and was fully compliant by February 2003.

3. Management Agreement

Finding - The Management Agreement signed by the Authority and [the Airport Manager/FBO] was issued without competitive bidding or negotiation. It also did not

provide sufficient detail about the Airport Manager's job functions and duties for managing the airport.

Recommendation – The Airport Manager's contract should include a specific scope of services and deliverables to be provided. Also, the Authority should seek competitive bids should it decide to contract externally for management services in the future.

As shall be discussed shortly, we believe that either the City should take over the airport management function or the Authority should contract externally for it with an independent service provider. However, whether or not the Authority decides to have the City perform the function or contract it externally, a specific scope of services with specific deliverables should be developed and maintained by its finance committee. This scope of services should include periodic written financial and operational reports. There should also be a provision to make some of these reports available as necessary to grantor agencies, such as the FAA or the City.

If the Authority should decide to contract externally in the future, it should seek competitive bids. These bids should help ensure that the Authority obtains the best possible management arrangement.

Original Preliminary Comments – The preliminary audit report expresses concern that the current Airport Management agreement is not in the Authority's best interests, and recommended (1) that the Authority contract with the City of Chesapeake to provide management services, or (2) that the Authority contract with a third party management company who would not be involved with providing FBO services. As discussed earlier, the Authority would be willing, if circumstances allowed, to separate the FBO and Management contracts. The Authority questions the viability of finding a qualified Airport Manager among existing city staff. The position does demand more than a modicum of aviation expertise. The current Management agreement was prepared with extensive legal input, and the Authority strongly feels that its interests are being well served. Of course, every organization has room to improve its processes, and this airport is no different. Considering the real challenges (including severe underfunding) facing the airport, however, the Authority believes that the current management and operational arrangements provide the best opportunities for success.

Revised Comments – The original preliminary comments remain valid. However, with increased funding from the City in FY 2002, the hiring of an airport staff became a viable alternative. Subsequently, the Authority opted not to renew the management contract and hired an Airport Manager.

Status – This recommendation had been implemented. The Airport Authority has met the spirit of our recommendation. The Authority has hired and has completed its first year of operations with the new Airport Manager and an increased operations and maintenance budget. A memorandum of agreement with the City has been drafted and is under review. The agreement will define the relationship between the City and the Authority and specify the support to be provided to the Authority by the City. The Authority will provide periodic written financial and operational reports.

4. Staffing

Finding – There were no full time staff whose primary responsibility was the administrative operation of the Airport. Also, the Airport’s scope of operations had grown past the level that Economic Development could reasonably be expected to support.

Recommendation – The Authority should consider contracting with either the City or an independent third party to provide airport management services.

We believe that the Authority should consider two options for providing its management services:

1. Contract with the City. The Authority may want to enter into a formal agreement with the City where the City provides at least one employee (but preferably more) whose sole responsibility is Airport matters. This employee will work with the Airport’s grantors to ensure grant opportunities are optimized. This employee would also ensure that the FBO complies with all contractual requirements.

While we would like to see the Economic Development Director continue his role of Secretary/Treasurer for the Authority, we would prefer to see the remainder of the support operation shifted to another department, such as Facilities Management or Public Works. We believe this shift will provide a more independent perspective for the support staff while at the same time freeing the Economic Development staff to work on more economic development issues.

2. Contract externally with an independent management company that was not also providing FBO services to the Authority. There are a number of companies that provide such services, and the Authority may wish to issue an RFP to try to obtain these services. Should the Authority choose this option it should ensure that both the RFP and the subsequent management contract contain a scope of services that includes deliverables that can be easily monitored. Such action will help the Authority ensure compliance with the contract.

Original Preliminary Comments – See preliminary comments for D-3.

Revised Comments – The original preliminary comments remain valid. See revised comments for D-3.

Status – This recommendation had been implemented. The Authority has hired full and part-time staff to carry out the operations of the Airport. Airport staffing included: one full-time airport manager, one full-time airport maintenance technician, one part-time office coordinator, and one part-time (seasonal) skilled laborer to assist with summer grounds keeping.

5. Funding Level

Finding – The Authority did not appear to be adequately funded to provide a satisfactory level of operations and service.

Recommendation – The City and the Authority should explore methods of augmenting the airport’s funding.

The City should work with the Authority to develop a plan to augment the Authority’s funding. The plan should consider additional City contributions, enhancing revenue collections and enterprise activities at the Airport, and exploring ways to optimize the Airport’s leveraging of available grant revenues. The City may have to phase additional contributions due to availability of funding. Of course, any additional cash contributions by the City should be contingent upon the Authority’s reducing the potential for claims of conflict of interest, assurances that the Authority will vigorously attempt to collect all funds due it, and the Authority’s assurances that it will comply with all grantor recommendations in the future, so that the Authority’s ability to obtain and leverage grants is maintained.

Original Preliminary Comments – The Chesapeake Airport Authority does strongly agree with your audit team’s conclusions that the airport is not receiving adequate local funding support. Attached is a memorandum outlining the projects that have been completed at the airport, as well as the historical level of funding that has been provided by the City. It is obvious that the Chesapeake Airport Authority lives by the maxim “doing more with less.” Of the more than \$12.5 million in airport capital improvements accomplished since the airport was created, less than \$600,000 has been appropriated through the city’s capital budget (\$34,099 in 1994; \$534,589 in 1995). The remaining \$11.9 million was provided by federal and state aviation grants, locally issued airport revenue bonds, funds from land sales and leases, and capital loans from the city to the Authority. Operational costs have been subsidized by the city at a rate of approximately fifty-percent. Aircraft hangar rentals, land leases and fuel sales have funded the balance of the operational budget. *Please note that the Authority was able to sell approximately 13 acres of excess land to private companies for light industrial use in the period of 1988-90. This improved property is now assessed at a value exceeding \$1.5 million, providing increased real estate revenues for the city.*

Chesapeake is literally the only airport in the Commonwealth of Virginia funded through such a severely restrictive mechanism, and it is impacting the Authority’s ability to maintain the physical facilities at minimum standards, let alone to make improvements. General aviation airports are considered by the state and federal governments as essential elements of the nation’s transportation infrastructure, and are so funded. A local commitment must exist, however, if continued external support is to continue.

Revised Comments – The original preliminary comments remain valid. The Authority was pleased to obtain increased funding and believes that the Airport has benefited greatly from the increased resources made available.

Status – This recommendation had been implemented. The City increased its contribution to the Airport to \$313,000 for FY 2002 and \$305,175 for FY 2003. The two and one half percent reduction in FY 2003 funding was part of an overall reduction in the City budget and was obtainable due to increased airport revenue from T-hangar tenants and projected revenue from three corporate hangars being constructed with the remaining Series 1999 Bond issue construction funds.

Managerial Summary

A. Introduction, Background, and Scope

We have completed our review of the costs associated with the current in-house parts operations at the City's Central Fleet Management (CFM) and the responses received from the Request For Proposal (RFP) No. 2089, Auto Parts Supplies and Delivery Service, bidding process. The audit was requested by CFM to assist in its deliberations on whether or not to outsource the parts operations. The purpose of RFP No. 2089 was to solicit proposals from qualified contractors to determine whether a contractor could reduce the costs of fleet maintenance operations, achieve administrative simplification and achieve higher levels of efficiency in fleet maintenance operations. The audit was conducted in accordance with Government Auditing Standards and included such tests of records and other supporting documentation, as we deemed necessary in the circumstances.

To conduct this review, we evaluated the requirements of RFP No. 2089 and the current parts operations at CFM. Specifically, we compiled and evaluated the City's annual in-house costs for parts procurement and service. These costs included parts inventory and values, wages and salaries, fringe benefits, overhead, and other costs associated with the current in-house parts operations. Because the RFP requested a 5-year contract period, we projected these costs through FY 2007. Similarly we obtained an understanding of the parts operations as discussed in the most qualified contractor proposal to the RFP and evaluated its response. Finally, we compared the City's in-house parts operating cost results to the results from the RFP process and pointed out the differences for both.

The City's CFM operates one central maintenance facility to support a diverse citywide fleet of approximately 2,500 vehicles and pieces of equipment. One part of the operations is to supply parts and supplies for the fleet maintenance operation. The City maintains its own parts inventory and purchases the inventory from local parts suppliers. The costs associated in administering contracts with various suppliers and processing of monthly invoices is a significant burden because of the complexity and variety of the fleet. Approximately \$2 million is spent annually to procure and supply parts and related supplies to CFM operations.

The results of our cost analysis showed that over the proposed 5-year contract period Tidewater Fleet's projected target service costs were \$304,097.16 less than the City service costs. For the same time period, Tidewater Fleet's average wage per regular business hour costs for non-target service was 62.64% less than the City projected cost and 61.9% less than the City average overtime wage per hour cost.

Our comparative analysis for target parts was based on \$506,951.59 in parts used by the City. The results of our analysis on parts priced at \$65,985.10 showed Tidewater Fleet's parts prices were \$4,604.53 (6.98%) less than the City's prices. An additional \$81,987.34 was purchased from sole source vendors, thus providing no price advantage for City or Tidewater Fleet. Tire and lubricants priced at \$90,128.26 were not compared because the City indicated that it would maintain the purchasing rights for these products. No comparisons were made on the remaining \$268,850.89 because we were unable to cross-reference the City's parts numbers to the Tidewater Fleet's parts numbers. While we noted that \$472,225.45 or 60.26% of the \$783,706.72 non-target parts prices would be covered under the City's existing tire and lubricant contracts, we could not make a comparison on the remaining \$311,481.27 because no parts price lists were requested in the RFP and Tidewater Fleet provided none.

A draft copy of this special audit report was provided to the City's Central Fleet Manager and he agreed with our analysis. We appreciate the courtesy and cooperation of the Purchasing Division and Central Fleet staff on this assignment.

B. Methodology for Parts Operation Costs

We compared the costs of the existing City parts operation to the Tidewater Fleet proposal provided to the City in response to the RFP.

We reviewed the Tidewater Fleet cost proposal schedules for services. These costs included wages and salaries, fringe benefits, overhead, and license cost for inventory control software. We gathered and analyzed similar costs for the City's existing parts operation and assumed a cost increase of 3 percent for years 2 through 5. Finally, we compared the services cost results of the City and Tidewater Fleet.

We did not compare the existing parts inventory because the City anticipated that the successful vendor would take control of the inventory, issue parts for use on City vehicles until depleted, and then purchase and issue new inventory of like items after the City's on-hand inventory was issued.

The RFP identified two types of parts, target and non-target, to be provided by the offeror. For target parts the potential offeror was required to provide pre-established unit prices. We compare the last price of target parts used by the City during the latest 12-month period to the parts price lists and discounts provided by Tidewater Fleet (included were parts that totaled over \$500). However, some parts lists had no cross-references from the City's part numbers to Tidewater Fleet's part numbers and price lists. For those parts, we were unable to compare prices.

For non-target parts, the offeror was requested to provide one mark-up to be applied to the cost of all parts not covered by the target parts categories. Tidewater Fleet provided for a 20% gross profit (its parts costs divided by .80). Because no parts price lists were requested in the RFP and Tidewater Fleet provided none, we were unable to do a price comparison for non-target parts.

C. Comparative Analysis Results

For both target and non-target services costs, the Tidewater Fleet proposal was substantially less than the projected cost for the City to operate Central Fleet Parts and Service in each of the five years included in the comparison. This conclusion was based on comparison of the Tidewater Fleet proposal to projected costs to the City developed under the methodology outlined in the preceding section. Calculations of City costs were designed to yield results directly comparable to the Tidewater Fleet proposal.

The target services cost for the City to operate Central Fleet Parts and Service exceeded the costs proposed by Tidewater Fleet over the five years covered by the contract by amounts ranging from \$35,776.04 to \$71,255.15 annually. The total projected savings over the five-year period amounted to \$304,097.16. For the non-target (emergency) service costs, Tidewater Fleet's average hourly wages for regular business hours were less than the City average hourly rates by about 69% in the first year and decreased to 56.4% by the fifth year. Similarly, the average overtime hourly rates for Tidewater Fleet were less than the City, 68.1% in the first year and decreased to 55.8% by the fifth year.

Our comparative analysis on target parts prices was based on \$506,951.59 in parts used by the City. The results of our analysis on parts priced at \$65,985.10 showed Tidewater Fleet's parts prices were \$4,604.53 (6.98%) less than the City. An additional \$81,987.34 was purchased from sole source vendors, thus providing no price advantage for City or Tidewater Fleet. Tire and lubricants priced at \$90,128.26 were not compared because City indicated that it would maintain the purchasing rights for these products. No comparisons were made on the remaining \$268,850.89 because we were unable to cross-reference the City parts numbers to the Tidewater Fleet's parts numbers.

While we noted that \$472,225.45 or 60.26% of the \$783,706.72 non-target parts prices would be covered under the City's existing tire and lubricant contracts, we could not make a comparison on the remaining \$311,481.27 because no parts price lists were requested in the RFP and Tidewater Fleet provided none.

Managerial Summary

A. Introduction and Background

The City's Department of Information Technology (Information Technology) guides and advises the City's other departments and the School System on application development, acquisition, and maintenance of automated systems; manages on-line data communications systems, computer networks and stand alone microcomputers; and oversees and sustains the Geographic Information System technology used within the City. In order to meet the needs of its residents in the most effective and efficient ways, the City has made substantial investments in information technology resources in all departments in recent years. In Fiscal Year 2003, the City had over 2,000 active personal computers with operating systems, software applications and other peripheral equipment valued at over \$17.9 million.

Licensing compliance became an important issue for the City in May 2001 when the Microsoft Corporation requested that the City conduct internal inventories of its Microsoft servers and client access licenses. Of significance to the Microsoft request was that it mentioned a forthcoming desktop software audit to determine license compliance¹. Because the City could not provide an accurate accounting of the licenses required for the Microsoft software products, Microsoft agreed to accept purchase order/invoice as proof of purchase in place of licenses. Subsequently, in September and November 2001, Novell and IBM, respectively, requested similar audits to assess the City's licensing compliance for their software products. The City has completed the license compliance audits for Novell and IBM.

In May 2001, Information Technology requested and received assistance from Audit Services in developing an inventory of the City's desktop computers and software applications to determine license compliance. In April 2002, this assistance to Information Technology became the initial phase of an Audit Services review to evaluate the adequacy of internal controls over the licensing of computer software and to determine whether software applications installed on the City's computers were properly licensed.

A draft copy of this report was provided to Information Technology and their comments have been considered in the preparation of the report. Their comments have been included in the Managerial Summary, Audit Report, and Appendix A. We appreciate the courtesy and cooperation of Information Technology and the other City departments' staff on this assignment.

¹ Microsoft's desktop software products include Windows Operating Systems (95, 98, NT, 2000, XP; Office Suites (97, 2000, and XP) that include Word, Excel, PowerPoint and Access; and individual software applications (Publisher, Visio, Project, FrontPage and FoxPro).

Major Observations and Conclusions

During the past two years, the City has positioned itself to better respond to possible audits for software product license compliance by computer vendors including Microsoft. However, additional effort was needed for managing the City's computer resources. We found that Information Technology had completed the baseline inventory for the City's active computers but had not inventoried the laptops and spare computers used occasionally by the departments. For those active computers, the City had not found proof of purchase documentation for 198 operating systems and 81 software applications that required licenses. The City could be required to pay \$44,774.40 to purchase the licenses for the actively used software products that were not documented. Also, as of April 30, 2003, 1 department and 3 subgroups had not responded to our audit to provide procurement documentation for their computer inventories. These inventories contained 225 operating systems and 215 software applications. We recommended that Information Technology either complete its computer inventory and request that the City's departments attempt to locate their missing procurement documentation or remove the products from the City's inventory.

In addition, we found that the City had no policies and procedures for managing the software product licenses or for maintaining and managing the recently developed City-wide computer inventory system. Establishing written policies and procedures within the City will ensure uniformity and consistency in managing licenses and computer inventories.

B. Objectives, Scope, and Methodology

Our audit objectives were designed to determine whether software applications installed on the City's computers were properly licensed and to evaluate the adequacy of internal controls over the licensing of computer software. Our audit scope and methodology included obtaining an understanding of information technology operations by interviewing officials and staff, and gathering information from Information Technology and other City departments; gaining knowledge of the City's procurement process for information technology products, determining how the City maintains information on the active use of computers/software products, licenses, and proof-of-purchase documentation; and evaluating the City's policies and procedures for procuring and managing computers, software applications and related licenses. The audit was conducted in accordance with Governmental Auditing Standards and included tests of records and other documentation as we deemed necessary in the circumstances.

C. Inventory, Documentation, and Policies and Procedures Issues

We found that Information Technology had completed the baseline inventory for the City's active computers but had not inventoried the laptops and spare computers used occasionally by the departments. For those active computers, the City had not found proof of purchase documentation for 198 operating systems and 81 software applications that required licenses. The City could be required to pay \$44,774.40 to purchase the licenses for the actively used software products that were not documented. Also, as of April 30, 2003, 1 department and 3 subgroups had not responded to our audit to provide procurement documentation for their computer inventories. These inventories contained 225 operating systems and 215 software applications. We recommended that Information Technology either complete its computer inventory and request that the City's departments attempt to locate their missing procurement documentation of the software products or remove the products from the City's inventory.

In addition, we found that the City had no policies and procedures for managing the software product licenses or for maintaining and managing the recently developed City-wide computer inventory system. Establishing written policies and procedures within the City will ensure uniformity and consistency in managing licenses and computer inventories.

1. Baseline Inventory

Finding - Information Technology had not completed the inventory for the laptops and spare computers used occasionally by the departments.

Recommendation – Information Technology should either complete the inventory of the laptops and spare computers used occasionally by the departments or remove these items from the City's inventory.

Response – In the past, because of our distributed environment where every department purchased and kept track of their equipment, it has been a challenge to develop and maintain a current and accurate central inventory of desktop equipment. However, Microsoft's request for a software license audit emphasized the need for a centralized and complete record of all PCs and software owned by the City. Therefore, this last summer/fall we conducted a "hands-on" inventory of all personal computers in use in City offices. Stored equipment and spare equipment was not included in this inventory, as our aim was to keep track of desktops that were in actual use. Laptops were not included in this inventory as most of these are used as secondary workstations - not primary desktops. Furthermore, in order to meet Audit's recommendations regarding the baseline inventory, we will be implementing the following:

- With the information gathered we created an automated database and provided each agency with a report of the equipment located in their offices. Departments have been given access to update their own inventory and they can print inventory reports as needed.

- Recognizing the importance of a complete inventory and following Audit's recommendation, this summer we will conduct a "hands-on" inventory of laptop computers.
- In the future, departments will not have a need to keep spare PCs. As per our FY 03-04 work plan, I.T. will keep enough spare PCs at hand to satisfy our customers' needs when a break-down occurs.
- Furthermore, in order to develop a more proactive and efficient strategy for the use of desktop equipment, Information Technology recently proposed and received approval for a PC Replacement plan that will centralize PC procurement/inventory thus ensuring lower prices, regular replacement of outdated technology and increased productivity in City offices. Please see attached "PC Replacement Plan" Power-Point presentation describing the core concept of this program.

2. Procurement Documentation

Finding – Some City departments had not found copies of procurement documentation required by Microsoft for some of the active computers' operating systems and software applications.

Recommendation - The departments should again attempt to locate the outstanding procurement documentation required for proof of purchase. However, for those active operating systems and/or software applications without supporting documentation, the City should remove the software products from the computers.

Response – Acknowledging that assembling the procurement documentation for existing software licenses is not completed, we plan to continue gathering procurement documentation required by software license manufacturers. Only a handful of departments have not completed this task. However, the PC Replacement Plan further described in our attachment, will ensure that old and outdated equipment is replaced and removed during this upcoming fiscal year (FY 03-04) – most of the missing procurement documentation is related to this old equipment. Future standard enterprise Microsoft, IBM and Novell purchases documentation will be kept by I.T. I.T. will create a centralized repository/library of media to keep software keys and CDs.

3. Policies and Procedures

Finding – The City had no policies and procedures for maintaining and managing the licenses required for operating systems and software applications, and limited written policies and procedures for the maintenance and use of its recently established City-wide inventory system.

Recommendation - The City should develop written policies and procedures to establish custodial and repository responsibilities for the required licenses for computer software products used by the City. In addition, written policies and procedures should be developed for the maintenance and use of the City-wide computer inventory system.

Response – We are in the process of developing and documenting standard procedures to ensure that the current inventory is kept accurate and that licenses' documentation are kept in a centralized and accessible location. Part of this process will include set policies for purchasing computer software and hardware procurement. It will be I.T. responsibility to meet these requirements. Non Microsoft licenses will be kept by the individual departments and Audit Services will do periodic checks of these procedures during departmental audits.

I want to, again, thank the Audit Office and in particular Ned Smith for the considerable amount of effort that was devoted to gathering scattered records and tracing back partially lost information.

Other Audits Completed

In addition to these audits, we completed contract audits of Architectural and Engineering Services and Energy Monitoring. There were no reportable findings from either of those audits, so no formal audit reports were prepared for them.

B. SUMMARY
TECHNICAL ASSISTANCE

Chesapeake Regional Airport – July 2002

We answered questions related to the new Quickbooks Accounting system that the Authority purchased during FY2002. The Authority indicated that the new system assisted them greatly in tracking the Authority's financial activities. As result of these efforts, the Authority requested that one of our employees be nominated for a Star Performer Award.

Human Resources – September 2002

We assisted the Human Resources with a technical tax matter related to tool allowances for mechanics in Fleet Management.

Special Administrative Matter – September 2002

We reviewed a special administrative matter related to the Real Estate Assessor's Office. Issues related to this matter have been resolved.

Jordan Bridge – November 2002

We assisted the Public Works Department with a revenue collection matter at the Jordan Bridge

Mosquito Control Commission – November 2002

We participated on the task force that helped consolidate the City's five mosquito control commission into one commission. Specifically, we assisted the Commissions with their development of workload indicators. We also provided suggested language for the proposed contract's audit clause.

Garage Re-Look Committee – December 2002.

We participated on a citywide committee that reviewed the utilization of various City vehicles.

Finance – January 2003

We assisted the Finance Department with a review of several computer purchases and also several payroll matters between July 2002 and January 2003.

Payroll Manual Review – February 2003

Several of our staff members reviewed early drafts of the payroll manual. We provided written feedback to the Finance Department regarding our comments.

Chesapeake Museum – March 2003.

We assisted the Museum in identifying a new Treasurer for the Board of Directors.

HIPAA – April 2003

Among other requirements, the Health Insurance Portability and Accountability Act (HIPAA) requires health service providers to take steps to ensure the security and confidentiality of individual health records. Throughout the year Audit Services participated on a task force that was responsible for implementing HIPAA's requirements throughout the City. We currently plan to incorporate HIPAA compliance into our FY 2005 audit plan.

Authority Audit RFP – May 2003

We assisted the Industrial Development Authority (IDA) and the Airport Authority in developing a Request-for-Proposal (RFP) for annual audit services. The new RFP was necessitated by recent changes in Government Auditing Standards. RFP's were sent to nine potential service providers, two of whom responded. A panel of staff members from the IDA and a member and staff from the Airport selected Goodman & Company, the firm which had been providing the service for the past ten years.

Mowing Contract – June 2003

We are assisting the City in defending a lawsuit filed by one of its mowing contractors. Our participation included providing a deposition in the matter.

C. SUMMARY
OTHER PROJECTS

Training – FY 2003

We attended the following Training Sessions during FY 2003:

- New Purchasing Storeroom System
- Emergency Operation Center Training
- Payroll Training
- Records Management Training
- Association of Government Auditors State and Local Government Conference
- Association of Certified Fraud Examiners September Training
- Virginia Local Government Auditors Association Fall Seminar
- Institute of Internal Auditors – Auditor Independence
- Use of Data Mining in Auditing
- Human Resources Dealing with Difficult Attitudes Training
- Institute of Internal Auditors – Tax Law Update
- Conference of Minority Public Administrators National Conference
- Human Resources Sexual Harassment Training
- Computer Assisted Audit Technologies
- City Cash Flows
- Virginia Local Government Auditors Association Spring Seminar
- Virginia State Society of Certified Public Accountants Government and Nonprofit Conference
- Association of Certified Fraud Examiners Regional Conference
- KPMG’s GASB 34 Training

Professional Organizations

For the last several years, we have served as editors of the Virginia Local Government Auditor’s Association (VLGAA) newsletter. This newsletter is distributed on a quarterly basis to the approximately 100 members of the VLGAA and contains news and information about local government auditing. We also have served as coordinators of the Certified Internal Auditor examination for the local chapter of the Institute of Internal Auditors.

D.SUMMARY
PROJECTS IN PROGRESS

Chesapeake Expressway and Jordan Bridge

Each month, Audit Services obtains toll collection data from the Chesapeake Expressway and the Jordan Bridge. We currently plan to incorporate our analysis and review of this data into an upcoming Public Works audit. This audit was commenced in October 2003.

Software Licensing

Audit Services has completed a review Citywide Cellular Telephone Usage. The draft report was issued in August 2003, and we are awaiting responses from Information Technology, Purchasing, and the City Manager's Office. We expect to receive these responses shortly.

Citywide Charitable Solicitations

At year-end, Audit Services was working on a Citywide Charitable Solicitations audit. The audit reviewed the charitable solicitation activities of various City departments to verify whether the departments were complying with the City's Charitable Solicitation Policy. The audit was completed in October 2002.

Year End Work

At year-end, Audit Services was working on cash counts, inventories and internal control testing associated with the City's annual financial audit.

E. SUMMARY

TIME (HOURS) EXPENDED DURING YEAR

A. COMPLETED PROJECTS - AUDITS & ANALYTICAL REVIEWS

Central Fleet Parts Privatization Analysis - Administrative	71.25
Central Fleet Parts Privatization Analysis - Planning	18.00
Central Fleet Parts Privatization Analysis - Reporting	53.25
Central Fleet Parts Privatization Analysis - Testwork	309.00
Citywide Charitable Solicitations - Administrative	93.00
Citywide Charitable Solicitations - Reporting	137.50
Citywide Charitable Solicitations - Testwork	9.25
Contracted Services: Architectural & Engineering Services - Administrative	96.75
Contracted Services: Architectural & Engineering Services - Planning	58.50
Contracted Services: Architectural & Engineering Services - Testwork	98.75
Contracted Services: Energy Monitoring - Administrative	71.50
Contracted Services: Energy Monitoring - Reporting	1.50
Contracted Services: Energy Monitoring - Testwork	15.50
Contracted Services: Hazardous Waste Removal Contract - Administrative	210.00
Contracted Services: Hazardous Waste Removal Contract - Reporting	82.00
Contracted Services: Hazardous Waste Removal Contract - Testwork	285.50
Followup Review (FY 01) - Administrative	0.75
Followup Review (FY 01) - Planning	18.50
Followup Review (FY 01) - Reporting	41.75
Followup Review (FY 01) - Testwork	83.75
Interview Panel - Finance Department	23.50
Software Licensing - Administrative	98.00
Software Licensing - Planning	208.25
Software Licensing - Reporting	150.00
Software Licensing - Testwork	492.50
Year End - Cash Counts	50.00
Year End - CIC	75.00
Year End - Internal Controls	261.00
Year End - Inventories	7.50
Year End - Payroll Testwork	115.00
Year End - PPTRA	108.50
Year End - VDOT	80.75

B. COMPLETED PROJECTS - TECHNICAL ASSISTANCE

Authority Audit RFP	86.25
Central Fleet	1.00
Chesapeake Expressway	3.50
Chesapeake Museum	5.00
Chesapeake Regional Airport	10.50
City Assessor	148.00

City Attorney's Office	1.00
Citywide Credit Card Transactions	2.50
Finance	16.00
Garage Re-Look Committee	7.50
Human Resources	6.50
HWR RFP	19.25
IDA Land Sales	4.00
Mosquito Control Commission	130.75
Mowing Contract	33.00
Jordan Bridge (Special)	6.50
Project LINK RFP	542.75
Public Works Memorial	0.50
Special Assistance	4.00
Treasurer's Office	0.50

Total Hours - Completed Projects	<u>4,455.00</u>
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C. PROJECTS IN PROGRESS - AUDITS & ANALYTICAL REVIEWS

Cellular Telephone Service - Administrative	74.00
Cellular Telephone Service - Planning	14.00
Cellular Telephone Service - Testwork	1,700.75
Chesapeake Expressway	93.75
Jordan Bridge	25.25
Social Services Laser Report	47.00
Year End - Audit Planning	5.25
Year End - Cash Counts	110.25
Year End - Internal Controls	44.75
Year End - Inventories	5.00

D. PROJECTS IN PROGRESS - TECHNICAL ASSISTANCE

CSB Building	1.50
HIPAA	52.75
Payroll Manual Review	<u>32.50</u>

Total Hours - Projects in Progress	<u>2,206.75</u>
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E. OTHER

Administrative	2,702.25
Annual Status Report	61.00
Holiday	540.00
Leave - Administrative	56.00
Leave - Annual	641.50
Leave - Compensatory	150.25
Leave - Sick	398.25
Meetings	83.25
Miscellaneous	50.50
Peer Review - Audit Services	0.50
Professional Organizations	229.00
Training	<u>382.75</u>
Total Hours - Other	<u>5,295.25</u>
Total Hours	<u><u>11,957.00</u></u>