



## **AUDIT SERVICES DEPARTMENT**

# **ANNUAL STATUS REPORT**

**JULY 1, 2014 THROUGH JUNE 30, 2015**

**DATE OF PREPARATION: SEPTEMBER 30, 2015**

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**Audit Services Department  
306 Cedar Road  
Post Office Box 15225  
Chesapeake, Virginia 23328-5225  
(757) 382-8511  
Fax. (757) 382-8860**

September 30, 2015

The Honorable Alan P. Krasnoff and  
Members of the City Council  
City of Chesapeake City  
Hall-6<sup>th</sup> Floor Chesapeake,  
Virginia 23328

Dear Mayor Krasnoff and Members of the City Council:

Enclosed is the Audit Services Department's Annual Status Report for the period July 1, 2014 to June 30, 2015. The following is a summary of some of the report's highlights.

A. Completed Projects

1. Audits and Analytical Reviews

We completed performance audits of the Fire Department, Chesapeake Integrated Behavioral Health (CIBH), and a special citywide audit of Citywide Capital Projects Practices. These audits were conducted for the purpose of determining whether they were providing services in an economical, efficient, and effective manner, whether the goals and objectives were being achieved, and whether they were complying with applicable City and Departmental procedures. We also completed a follow up review on audit reports issued in FY 2013. 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 organization on five projects. Of these, the most significant was related to the City IT modernization and Public Utility Billing System. We also completed 10 fraud hotline investigations.

### 3. Projects in Progress

At year-end, we were continuing performance audits of the Information Technology Department, Public Utilities, and special audits on Citywide Grants and Overtime practices. Currently, we continue to provide ongoing technical assistance on projects related to the Employee Pay Cycles, City's Human Resources Information System and Public Utilities Billing System implementations.

Sincerely,

A handwritten signature in black ink that reads "Jay Poole". The signature is written in a cursive style with a large, stylized "J" and "P".

Jay Poole  
City Auditor

City of Chesapeake, Virginia

c: James E. Baker, City Manager

**CITY OF CHESAPEAKE, VIRGINIA**

**AUDIT SERVICES DEPARTMENT  
ANNUAL STATUS REPORT  
JULY 1, 2014 TO June 30, 2015**

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**A. SUMMARY**

**AUDITS & ANALYTICAL REVIEWS**

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**Audit Services Department  
306 Cedar Road  
Post Office Box 15225  
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January 31, 2015

The Honorable Alan P. Krasnoff, and  
Members of the City Council  
City of Chesapeake  
City Hall--6th Floor  
Chesapeake, Virginia 23328

Dear Mayor Krasnoff and Members of the City Council:

We have completed our follow-up of the Public Procurement, Public Works, Human Services, and Parks and Recreation Year 2013. These prior year audits were selected to evaluate the status of recommendations that had not been fully implemented. The reviews were conducted in August through November 2014. The status of 41 open recommendations from these reports was as follows:

- 17 had been implemented
- 9 were in the process of being implemented
- 4 were planned but not yet implemented
- 10 were partially implemented
- had not been implemented
- 1 will not be implemented
- is no longer applicable

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

Sincerely,

Jay Poole  
City Auditor  
City of Chesapeake, Virginia

C: James E. Baker, City Manager

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**FOLLOW-UP REVIEW**

**PUBLIC PROCUREMENT**

**PERFORMANCE AUDIT**

**REPORT ISSUE DATE: JUNE 2010**

**FOLLOW-UP REVIEW DATE: DECEMBER 2014**

**CITY OF CHESAPEAKE, VIRGINIA**  
**AUDIT SERVICES DEPARTMENT**



**Audit Services Department  
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January 30, 2015

The Honorable Alan P. Krasnoff and  
Members of the City Council  
City of Chesapeake  
City Hall--6th Floor  
Chesapeake, Virginia 23328

Dear Mayor Krasnoff, and Members of the City Council,

We have completed our follow-up review of the Public Procurement. The review was conducted in October 2014. As of that date, the status of the report's three open recommendations was as follows:

- had been implemented
- 2   was in the process of being implemented
- 1   were planned but not yet implemented
- was partially implemented
- had not been implemented
- will not be implemented
- is no longer applicable

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

Sincerely,

Jay Poole  
City Auditor  
City of Chesapeake, Virginia

C: James E. Baker, City Manager



**FOLLOW-UP REPORT**  
**PUBLIC PROCUREMENT**  
**PERFORMANCE AUDIT**

**December 2014**

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#### **C4. Contract Administration Policies and Procedures**

**Finding** - The City did not have centralized contract administration policies and procedures. The absence of centralized contract administration policies and procedures adversely impacted monitoring and enforcement of contractual requirements.

**Recommendation** - The City should develop an Administrative Regulation as quickly as possible that addresses policies and procedures for contract administration.

**Response - Purchasing will develop an Administrative Regulation describing the policies and procedures for contract administration.**

**2011 Status-** This recommendation is in the process of being implemented. Public Procurement is developing an Administrative Regulation that describes the policies and procedures for contract administration. They anticipate that it will be completed by January 2012.

**2012 Status –** This recommendation has not yet been implemented. Public Procurement has recently promoted a Procurement Supervisor to assist with contract administration and other workload issues as well as and oversight of the office. However, the uncertain organizational status of Public Procurement has hindered progress.

**2013 Status –** This recommendation is in the process of being implemented. Public Procurement began conducting interviews for a Contract Specialist in September that will be responsible for documenting contract administration policies and procedures and developing the administrative regulation.

**2014 Status –** This recommendation is in the process of being implemented. The Purchasing Administrator has met with the City Attorney and made changes to the manual which has been submitted, in draft form, to the City Manager for approval. Purchasing conducts quarterly training to keep departments abreast of procurement practices.

#### **D1. Changes in Management Oversight**

**Finding** - Beginning in 2001, City Management transferred Public Procurement's line of reporting from the City Manager's Office to the Finance Department and then later to the General Services Department. These transfers adversely impacted oversight of the City's procurement processes.

**Recommendation** - The City should strongly consider returning Public Procurement to full department level status to promote stability in its oversight as well as enhance the authority and independence of the function.

**Response - The Purchasing Division has reported directly to the Deputy City Manager for Administration and Finance since April 2009. This has the effect of providing high-level consistent oversight of the Division. In addition, in April 2010, the Procurement Administrator was added to the list of those attending monthly Management Meetings which include all department heads.**

**2011 Status-** This process is in the process of being implemented. Public Procurement is now a stand-alone department and the Procurement Administrator's position is in the process of being reclassified.

**2012 Status –** This recommendation has not yet been implemented. While Public Procurement continues to function as a stand-alone entity, it has not yet been given full departmental status. The uncertainty has had an adverse impact on the function's ability to carry out its assigned responsibilities.

**2013 Status –** This recommendation has not yet been implemented. Public Procurement continues to function as a stand-alone entity; it has not yet been given full departmental status. The uncertainty continues to have an adverse impact on the function's ability to carry out its assigned responsibilities.

**2014 Status –** This recommendation has not yet been implemented. Public Procurement continues to function as a stand-alone entity, but it has not yet been given full departmental status. Its status is under Management review.

## **D2. Purchase Order Creation and Management**

**Finding:** Public Procurement lacked procedures that instructed users how to properly create purchase orders, especially multi-year purchase orders. The lack of procedures led to inappropriate use of non-PO vouchers, as well as difficulties in closing out purchase orders at year-end for financial reporting purposes.

**Recommendation -** Public Procurement should develop procedures that instruct users on proper creation and management of purchase orders within the PeopleSoft system.

**Response - Purchasing will develop an Administrative Regulation on procedures that will instruct users on proper creation and management of purchase orders within the PeopleSoft system. These procedures will also consist of close-out of purchase orders at year-end.**

**2011 Status-** This recommendation is in the process of being implemented. Public Procurement is developing an Administrative Regulation that describes the policies and procedures for properly creating purchase orders, including multi-year purchase orders. They anticipate that it will be completed by January 2012.

**2012 Status** - This recommendation has not yet been implemented. Public Procurement has recently promoted a Procurement Supervisor to assist with contract administration and other workload issues as well as and oversight of the office. However, the uncertain organizational status of Public Procurement has hindered progress.

**2013 Status** - This recommendation is in the process of being implemented. Public Procurement began conducting interviews for a Contract Specialist in September that will be responsible for documenting contract administration policies and procedures and developing the administrative regulation.

**2014 Status** – This recommendation is in the process of being implemented. A Contract Specialist has been hired and once the policies and procedures manual is completed, this situation will be rectified.

# **FOLLOW-UP REVIEW**

## **PUBLIC WORKS**

**REPORT ISSUE DATE: AUGUST 2012**

**FOLLOW-UP REVIEW DATE: SEPTEMBER 2014**

**CITY OF CHESAPEAKE, VIRGINIA  
AUDIT SERVICES DEPARTMENT**



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January 30, 2015

The Honorable Alan P. Krasnoff and  
Members of the City Council  
City of Chesapeake  
City Hall--6th Floor  
Chesapeake, Virginia 23328

Dear Mayor Krasnoff, and Members of the City Council,

We have completed our follow-up review of the Public Works Department. The review was conducted in September 2014. As of that date, the status of the report's 16 open recommendation was as follows:

  9   had been implemented  
  1   was in the process of being implemented  
  1   was planned but not yet implemented  
  4   was partially implemented  
  1   will not be implemented  
    is no longer applicable

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

Sincerely,

Jay Poole  
City Auditor  
City of Chesapeake, Virginia

C: James E. Baker, City Manager



**FOLLOW-UP REPORT**  
**PUBLIC WORKS DEPARTMENT**  
**PERFORMANCE AUDIT**

**September 2014**

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## **C. Facilities Construction and Maintenance**

In reviewing Facilities Construction and Facilities Maintenance projects, we noted that they were not always planned and managed effectively and efficiently, particularly relative to planning and defining the scope of work. Based on our review of several projects, we identified issues related to the Temporary Inmate Housing project, the Overhaul/Renovation of the City Hall Elevators, operating policies and procedures, and project tracking.

### **1. Temporary Inmate Housing**

**Finding** – Facilities Management did not always fully define the scope of work for contracts and did not always develop a comprehensive, executable plan for its construction projects, nor did it ensure that the contractor always obtained the compliance approvals necessary for the project. As a result, a temporary inmate housing facility project 1) experienced significant cost overruns and 2) could not be used for its intended purpose.

**Recommendation** – Facilities Construction should work with affected City departments on future projects to ensure that the projects are adequately planned and that the scope of work is fully developed. It should also ensure that all required approvals are obtained prior to initiating the contract.

**Response** – We concur with the recommendation, and as noted above, have already taken steps to ensure that future projects are adequately scoped and that appropriate cost controls and reporting procedures are in place.

The General Services section was reorganized in 2010 to separate the Purchasing Office, which now reports directly to a Deputy City Manager. The Facilities functions were broken into two divisions under Public Works – Facilities Construction and Facilities Maintenance. Public Works has been integrating the new divisions into Public Works and streamlining and standardizing their project management, purchasing and accounting practices into the APWA accredited PW department's well established policies and procedures. Minor updates to incorporate vertical construction and building maintenance IDIQ repair contracts are underway and will be completed in the next two months. (Note: the full text of the response is included in the body of the audit report.)

**2014 Status** – This recommendation has been implemented. Public Works is now utilizing a scope of services document which sets the expectations of all parties, and outlines the criteria for the project. The document is shared between the client department and Public Works to ensure understanding of how the project will proceed. Also, on major construction projects, presentations to City Council are provided and

approval of major design features obtained.  
After receiving State approval, the temporary inmate housing facilities are now in use.

## **2. City Hall Elevator Overhaul Project**

**Finding** – Facilities Maintenance did not develop an adequate scope of work definition that included vendor performance timelines and specifications for its emergency Overhaul/Renovation contract for the City Hall elevators.

**Recommendation** – For future projects, Facilities Maintenance should ensure that an adequate scope of work definition is developed for each emergency/overhaul/renovation contract. The scope definition should include vendor performance timelines and specifications.

**Response** – Facilities Maintenance will work more closely with the Purchasing Office to ensure that any emergency contracts include appropriate contract terms to include completion schedules and liquidated damages. Indefinite Delivery Indefinite Quantity (IDIQ) contracts such as that used for elevator maintenance and repair, continue to be essential vehicles to procure services that have highly variable scope or unknown or infrequent delivery dates. These contracts, which are competitively bid for basic labor costs or estimated unit prices, can save significant response time and still provide best value.

Working with the Purchasing office, Facilities Maintenance terminated the previous non-performing IDIQ elevator contractor and has put in place another qualified contractor to maintain, and repair if necessary, city elevators and escalators. While there are limited contractors performing these services in Tidewater, the City and Schools now share the same contractor. The previous contractor had performed well in previous years but due to circumstances beyond the City's control was unable to prosecute the repair work on the City Hall elevators on a reasonable schedule.

**2014 Status** – This recommendation has been implemented. Large construction and repair work orders performed by IDIQ contractors now include an agreed upon schedule. The City Attorney and Procurement office has revised contract documents to update terms and conditions.

## **3. Operating Policies and Procedures**

**Finding** – Facilities Management's sections had not developed written operating policies and procedures for managing projects. Also, checklists were not frequently used to assist with the project management process.

**Recommendation** – Facilities Management’s sections should develop written operating policies and procedures for the management of facilities construction and maintenance projects. These procedures should include checklists to assist in the project management and oversight process.

**Response** – Facilities Construction and Facilities Maintenance are continuing the process of integrating all procedures and policies of the Public Works Department. Specifically, the two divisions are adapting project administration, programming, design, construction, monitoring, and close-out procedures to align with the User Guide. Where checklists and other project administration tools exist, they will be standardized to the User Guide format; where they do not exist or are deemed inadequate, they will be developed/modified. Many processes and procedures have already been changed within the last two years to conform to Public Works standards (change order routing/approval, contract execution, budget development, project reporting to chain-of-command, etc.). All recent repair project contract documents have included firm schedules and liquidated damages clauses – discussion also has been initiated between Public Works and Purchasing on the best way to incorporate these elements into IDIQ maintenance contracts when task orders are particularly critical and/or reach a certain dollar threshold. In other areas such as safety, yard inspections/environmental stewardship, training (to name a few), Facilities’ two divisions are already fully integrated into Public Works procedures.

**2014 Status** – This recommendation has been implemented. Public Work’s Design and Construction Management section has updated the Project Manager’s Handbook and the Project Inspector’s Handbook, both of which are now applicable to all Public Works Divisions managing construction activities.

#### **4. Project Tracking**

**Finding** – Facilities Construction did not always track construction projects in compliance with City policies and best practices.

**Recommendation** – Facilities Construction should develop a more effective tracking procedure for its construction projects.

**Response** – Some deficiencies have resulted from the excessive project workload of the Facilities divisions and lack of support staff. For instance, both division managers have been managing several projects each (including multiple multi-million dollar projects) due to insufficient project officer and support staffing. This has worsened over the last few years as the project load has increased and has diverted critical time away from strategic and management oversight duties. Public Works is in the process of assigning additional resources to the Facilities divisions, but more direct project support may be needed. The Facilities divisions will

**continue working with Public Works accounting and Budget/Finance to allocate funding for non-capitalizable project items, improve spending controls and improve overall financial management of project budgets/finances. Some of this work has already taken place over the past year as Facilities Project Managers have become more familiar with Public Works procedures and accounting personnel. Public Works will work Purchasing to clarify confusing issues related to IDIQ contracts and rewrite/rebid contracts to improve efficiency and repair project delivery times and quality. (For instance, the “value” of an IDIQ contract cannot be related solely to bid labor costs. In many instances, the equipment/materials costs are the majority of a repair project’s cost and must be taken into account when establishing a reasonable annual “cap” on the IDIQ contract.) Facilities does utilize a tracking board for permits, but this has not been standardized across all projects. Both divisions will develop a common checklist to be used by all Project Managers and management personnel to improve code compliance oversight.**

**2014 Status** – This recommendation has been implemented. Public Work’s Design and Construction Management section has updated the Project Manager’s Handbook and the Project Inspector’s Handbook, both of which are now applicable to all Public Works Divisions managing construction activities. An additional Engineering Technician position was added to the section to standardize procedures and improve project documentation management. A project manager was re-assigned to provide additional support to the Facility Maintenance project backlog work. Public Works, Purchasing and the City Attorney have worked on improving contract general conditions for both vertical and horizontal construction projects and to implement a contractor pre-qualification process. Public Works will also use contracted consultants to provide comprehensive project management and inspection services on very large or complex construction contracts.

## **D. Technology Issues**

Public Works utilized several different software packages to help it accomplish its assigned tasks. We identified a number of issues with the utilization (or lack thereof) of several software packages including the Maximo Asset Management System, SharePoint software and RouteSmart software within the Department as a whole, as well as lack of utilization of Global Positioning Software (GPS) within the Waste Management Division.

### **1. Maximo System**

**Finding** –The Maximo Asset Management system was not being utilized to its fullest potential by the Department.

**Recommendation** – The Department should take a more active role in ensuring that the Maximo system is utilized to its fullest potential, with sufficient support as required from Information Technology (IT)

**Response – The general characterization of the Department’s use of Maximo as presented does not adequately reflect the significant efforts or the progress made since implementation. The department is very large with multiple functions and Maximo use continues to be phased in across our various divisions. Some smaller divisions have easily accommodated the new system while large divisions with less computer literate users have required additional support. As detailed below, the system purchased was not optimized for Public Works activities and significant modification of the latest version of the IBM software was required. Furthermore, integration with the existing Customer Service request system, Munis/Kronos payroll systems and PeopleSoft accounting systems did not exist and is being phased in to allow automation of many manual processes that have reduced the functionality and efficiency of using the system. (Note: the full text of the response is included in the body of the audit report.)**

**2014 Status** – Public Works in cooperation with Information Technology continues to analyze and implement changes in the integration of Maximo and Customer Service Requests (CSRs), allowing a two way automated flow of information between CSR Service Requests and Maximo Work Orders. Service Requests initiated in the Call Center now are automatically exported (in as little as fifteen minutes) to Maximo creating Work Orders that can distributed to the proper divisions for appropriate action. Integration with PeopleSoft has been delayed due to upgrades to PeopleSoft. The People Soft upgrade is expected to be complete April 2015.

## **2. Workflow Process Deficiencies**

**Finding – The Department was using a manual, inefficient document routing workflow process and tracking system to capture budgetary approvals for projects instead of the SharePoint software available on the CityPoint intranet.**

**Recommendation – Public Works and IT should continue to develop a tracking system, using SharePoint to create a centralized document management system.**

**Response – Public Works has been partnering with the Information Technology Department to implement an automated document routing and approval system. Issues of electronic signatures need to be resolved for the project to advance. Additionally further discussions need to occur on delegation of approval authority and purchasing limits that require director and/or City Manager approval. Often relatively small but time-sensitive actions are unnecessarily delayed by the approval requirements on relatively low cost items. Additional PeopleSoft modules are being implemented which may also improve efficiency and tracking of contracts and modifications.**

**2014 Status** - Public Works took the lead and created a working prototype using SharePoint that provides a one stop location to track documents and initiate workflow

approval processes as well as provide access to other supporting documentation such as a depository for archived contracts and an automated report communicating contracts that are due for expiration or renewal. This program will not be limited to Public Works, it will be made available to every City Department. We are currently working with Information Technology to create a Citywide SharePoint site that will allow all Departments to use this system.

### **3. RouteSmart Software**

**Finding** – The Department was not utilizing its RouteSmart routing system software to its fullest potential.

**Recommendation** – The Department should locate the RouteSmart software, properly complete the implementation, and train the staff on its use.

**Response** – The RouteSmart program was originally installed on a Public Works Operations computer. It has since been transferred to another user who is GIS trained and will be the point of contact for RouteSmart updating and the technical aspects of the program. Training is projected to begin in September.

**2014 Status** – This recommendation is in the process of being implemented. Currently the system is being used on all trucks to provide real-time tracking of vehicles on their assigned routes. The Waste Management Administrator submitted a request for a consultant to utilize the software to optimize the existing routes with the goal of maximizing individual route efficiency and truck capacity.

### **4. GPS Technology**

**Finding** – The Waste Management Division (Division) did not have the ability to track and monitor the location and progress of its Grapple and Rear Loader trucks on an automated basis.

**Recommendation** – Public Works should attempt to identify funding to allow the Waste Management Division to install GPS tracking devices on at least the Grapple and Rear Loader trucks, so that the location and progress of the trucks can be monitored on an automated basis.

**Response** – Funding has been identified for this project. Due to contract stipulations with the proposed GPS vendor, the current procurement has been delayed and we are working with Purchasing and a new supplier. A pilot demonstration project for our grapple trucks will occur this fall. GPS for use in our rearloaders and remaining grapple trucks will be initiated if the pilot with this

**vendor is successful. Following that pilot we intend to outfit street sweepers and eventually snow plow and sanding trucks.**

**2014 Status** – This recommendation has been partially implemented and is on-going. While the Waste Management fleet has been completed, additional vehicles in the Stormwater and Streets Divisions are being outfitted on a pilot basis. Testing is being conducted on potential use of several alternative systems such as city issued cell phones versus vehicle installed hardware.

## **E. Stormwater Management/Drainage**

In reviewing Stormwater Management and Drainage operations, we noted that a citywide comprehensive plan to manage the operations had not been fully implemented. We also noted that the Stormwater Enterprise Fund was funding salaries for non-Stormwater activities in some instances. Finally, pending regulatory changes had the potential to impact Stormwater Management operations.

### **1. Preventative Maintenance**

**Finding** – The Stormwater Management/Drainage Division had not fully implemented a comprehensive maintenance plan to maintain the City's stormwater/drainage systems.

**Recommendation** – Stormwater Management/Drainage should fully implement a comprehensive preventive maintenance plan for the City.

**Response** – Within the past two years, the Stormwater Management/Drainage operations group has reduced the backlog of service requests to such an extent that they were able to begin implementing a program of preventative maintenance for the City's drainage infrastructure.

**A regular schedule for street sweeping was set up in Maximo by the Operations Planner/Scheduler prior to the transfer of sweeping operations from the Division of Streets and Highways to Stormwater Management. This schedule has been maintained after the transfer. Operations improved sweeping cycles from one to four on residential streets and began publishing the sweeping schedules on the City website three years ago. (Note: the full text of the response is included in the body of the audit report.)**

**2014 Status** – This recommendation is in the process of being implemented. The Department is in the process of purchasing sweeper replacements and has programmed and requested funding to allow for on-going sweeper replacements. Four new sweepers are on order with another two requested in the operating budget. We are also exploring a sweeper lease option that would include full maintenance.

A preventive maintenance program is also in place for the City's drainage infrastructure. Stormwater is expanding its maintenance program through the addition of an outfall maintenance crew, which was funded last year. New CCTV trucks were purchased to expand the televised inspection of storm drain pipe and an increased inspection program is underway. The budget request for next year includes staffing for additional catch basin cleaning crews and equipment.

## **2. Stormwater Enterprise Fund**

**Finding** – The Stormwater Enterprise Fund was used to pay selected employee salaries for time that was not spent on stormwater activities.

**Recommendation** – To comply with Section 26-372 of the Chesapeake City Code, the Department should apportion the use of the Stormwater Enterprise Fund to pay employee salaries depending on the percentage of work actually performed on stormwater activities.

**Response** – The Department continues to apportion the time spent by select employees and manually make subsequent transfers to/from the General Fund. However, the current PeopleSoft, Maximo and Munis systems do not support detailed time accounting and apportionment based on hours worked per a particular function. The 27 employees identified in the audit do spend a majority of their time on stormwater functions. The Stormwater division also makes a significant contribution to the City's General fund for support services whose cost allocation is determined annually by the Maximus Study conducted by the Finance Department.

**2014 Status** – This recommendation will not be implemented. The Department plans to continue its time apportionment process which tracks the individual/crew's non-stormwater activity time spent and then transfers the appropriate costs between divisions. Additional operating budget programs have been added and refined to reflect additional stormwater funded operations such as Stormwater Engineering (61001) and Environmental Quality Section (61002).

## **3. Pending Federal/State Stormwater Regulations**

**Finding** – Implementation of upcoming federal and state mandates may require additional Stormwater Management resources.

**Recommendation** – Stormwater Management should have a contingency plan ready to be executed in the event that additional resources are required to comply with the upcoming mandates.

**Response – Stormwater Management has developed an Action Item list with all tasks, due dates, leads, and current status shown for all of the expected requirements. The Public Works Director has reorganized the Stormwater Management team to respond most effectively to the new mandates. (Note: the full text of the response is included in the body of the audit report.)**

**2014 Status** – This recommendation has been implemented relative to State requirements. A work session with Council was held in May 2014. PW assumed the development related Erosion and Sediment Control inspection responsibilities from D&P on July 1, 2014. The current staffing shortages coupled with the proposed volume of private development will require additional resources that has been requested in the FY15-16 budget proposal. The State indicates that it6 will issue updated VPDES permits to Tidewater localities in early 2015. Public Works is soliciting a consultant to update action plans for this permit and TMDLs in the first quarter of 2015. The permit requires an action plan be submitted during the first two years of the VPDES permit.

## **F. Inventories**

Public Works inventories had a value of \$1,130,542 according to FY 2011 data in the City's financial system. Several of our previous Public Works audits had identified issues with inventory controls. Since we continued to identify inventory control issues on this audit, we have prepared a more detailed analysis of these findings and recommendations, to better assist the Department in addressing them.

### **1. Inventory Controls**

**Finding** – Public Works' inventory processes needs to be improved to enhance inventory security, inventory controls, record keeping, and reporting accuracy.

**Recommendation** – Public Works should strengthen departmental inventory operating processes to improve and enhance access controls, security, accuracy of records and accountability over the various inventories.

**Response – Public Works Operations has consolidated its storeroom for the most part and is developing a road map, attached. Additionally a study of best management practices and other localities and local DoD facilities will be undertaken and recommendation implemented. We will evaluate each of the detailed suggestions recommended in the Audit for implementation. Several actions outlined in the detailed recommendations have already been taken by the Department, and we will further evaluate each of the detailed suggestions recommended in the Audit for implementation.**

**2014 Status** – These recommendations have been partially implemented. Public Works has established a procedure where the Surveyor’s inventory reports will be reviewed for accuracy. Operations staff will ground check the Surveyor’s figures for consistency and completeness and will coordinate with the Surveyor if possible discrepancies are observed.

Public Works also implemented a procedural adjustment whereby field crews (as well as storeroom staff), record bulk material issues in units of volume (yards) rather than weight estimations. The volumes of the scoops on each of the pieces of equipment used to load bulk materials were obtained and crews were instructed to use these volumes when loading. Operations is working on producing placards/stickers to be placed in the cab of each piece of equipment as a quick reference and reminder. Operations is investigating the cost-effectiveness of installing scales at the yard(s). Salt and sand piles are covered with tarps which have been secured together. The Department has requested construction of an enclosed storage facility at the Bowers Hill yard for storage of sale and sand materials on two occasions and they will continue to pursue this request.

Operations will document inventory procedures in written and/or graphical format outlining steps and responsibilities. They are organizing quarterly inventories as well as monthly inventories on some stock items. Stockroom staff will research variances before making adjustments. Operations intends to have all inventory discrepancies identified within two days. Traffic Operations is working on resolving the staffing and procedural issues associated with this goal.

With regards to staffing bulk inventory sites, with staff limitations, it is not practical to staff the satellite yards at all times for material issues. They have adjusted procedures so that one person at each yard is responsible for coordinating material issue and for loading operations as much as is practical. Crews needing bulk materials coordinate through the responsible yard material lead to help ensure all transactions are recorded properly and that volume estimations are appropriate and accurate.

## **G. Other Items**

We made observations in several other areas that we believe will assist the department in enhancing its operations and practices. These items included safety monitoring, pothole repair guidelines, ID/IQ contract access, and Monthly Progress Report reconciliations.

### **1. Safety Monitoring**

**Finding** – The Safety Handbook did not require documentation of ongoing safety monitoring inspections.

**Recommendation** – The Safety Office should develop (1) a schedule for monitoring safety procedures during routine inspections, and (2) a safety checklist customized for use by Department supervisors for the purpose of documenting the supervisor’s inspections.

**Response – Currently all safety inspections are conducted without prior notice (surprise inspections). We will consider developing a schedule for routine inspections. The Supervisors currently record their findings in their daily log books. The Safety Office uses a checklist that can be shared with the Supervisors.**

**2014 Status** - This recommendation has been implemented. Public Works has added a new safety inspector to its personnel complement to improve the jobsite safety inspections. Additional process improvements including guidelines/checklists have been developed to assist the inspectors with consistent inspections/investigations. The inspection results have been captured in Maximo. The new process focusses on initial vehicular accident investigation and safety/equipment trainings to streamline the department's Safety Review Board program.

## **2. Safety and Security Procedures- Chesapeake Expressway**

**Finding – We identified safety and security procedures at the Chesapeake Expressway (Expressway) that could be enhanced.**

**Recommendation – Pull alarms should be installed, facility access should be restricted to staff only, and the Expressway should discontinue the use of cones and use a more automated process for lane closure.**

**Response – The Expressway Staff have taken the following action on the suggested findings:**

**A complete Security upgrade is currently being installed with expected completion to be by the end of the Summer 2012. The Security upgrade includes a new pull alarm system to all Toll Booths and the EZPass Customer Service Counter. The number of Security cameras has been nearly doubled to 71 with a new Video Recording System and Intercom System. Facility Access has been restricted to only Expressway Personnel. Access for the Armored Courier has been deactivated. A review of the suggestion to discontinue the use of cones and to install an automated lane closure device has been found to be cost prohibitive and that the current process is within industry standards. (Note: the full text of the response is included in the body of the audit report.)**

**2014 Status** – This recommendation has been partially implemented. Public Works has updated their department regulations for APWA re-accreditation and added additional regulations relating to Expressway operations as a result of the Audit findings.

### **3. Potholes**

**Finding** – Although the Operations Division completed pothole repairs within the guidelines established in its Service Level Agreement (SLA), the Division did not consistently complete potholes repairs within 48-hours after notification as required by Public Works regulations.

**Recommendation** – Public Works should revisit its regulation 609 to create consistency with the Division’s SLA.

**Response** – PW will discuss service goal expectations with regard to potholes and the various classifications of streets and recommend revisions to the PW regulation accordingly. Pothole repair response is heavily dependent on weather/temperature, workload, and availability of materials and can be very seasonal. The original intent of the 48 hour response was for primary and major roadways only; emergency repairs are handled the same day.

**2014 Status** – This recommendation has been implemented. Public Works has revised the departmental regulation for pavement maintenance to reflect changes. Non-emergency pothole repairs will occur within a 72 hour timeframe depending on weather and availability of materials. Regulations have been updated and the fourteen (14) days is the requirement for roads outside of the major and primary roadways. In addition, distinction will be made between potholes and defects caused by cave-ins or other issues and will be handled appropriately.

### **4. Indefinite Delivery/Indefinite Quantity (IDIQ) Contracts**

**Finding** – Public Works did not have access to sufficient details of the specific terms of ID/IQ contracts, except for the general ID/IQ list provided on CityPoint. As a result, staff could not verify contract expiration dates, accuracy of vendor invoices, or other specific commodity types offered by ID/IQ vendors.

**Recommendation** – Public Works should work with Public Procurement and Information Technology to get full actual details of ID/IQ contracts posted on SharePoint for all user departments to see.

**Response** – Public Works offered this initiative to Purchasing in 2009 but was unable to move forward due to staffing shortages in Purchasing. Purchasing is now implementing a new PeopleSoft module that will partially address this tracking issue by establishing notifications to the buyer of contract limits approaching maximums and for upcoming expirations of contracts. Public Works remains committed to providing administrative support for the scanning and posting of contracts for citywide accessibility. Public Works internal regulations will reinforce the requirement to use existing IDIQ contracts.

**2014 Status** – This recommendation has been implemented. The Department is utilizing CityPoint for its IDIQ contracts; and Laserfische for copy maintenance, and continues to work with Purchasing to continually update the IDIQ contract listing on Procurements CityPoint web page.

#### **5. Monthly Progress Reports - Division of Construction Services (DCS)**

**Finding** – DCS and Public Works Accounting did not reconcile Monthly Progress Reports against the City’s PeopleSoft expenditure reports.

**Recommendation** – A periodic reconciliation should be performed between the DCS’s design/construction Monthly Progress reports and the PeopleSoft Expenditure Reports.

**Response** – **Project managers receive detailed expenditure reports (ME Reports) twice a week on their projects. They will periodically review and communicate to PW Accounting any discrepancies. Currently ME reports have a limited number of staff that receive the reports. If they could be placed on share point other non-PeopleSoft users would have access (Eng. Techs etc.)**

**2014 Status** – This recommendation has not yet been implemented. Public Works is looking to utilize the PeopleSoft program upgrades planned for 2015. They are currently using the Contracts Module in Maximo, however, it only works for those who have Maximo licenses. Public Works will work with the Finance Department to ensure that any necessary reconciliations are completed in a timely fashion.

# **FOLLOW-UP REVIEW**

## **HUMAN SERVICES**

### **SPECIAL AUDIT**

**REPORT ISSUE DATE: JUNE 2013**

**FOLLOW-UP REVIEW DATE: SEPTEMBER 2014**

**CITY OF CHESAPEAKE, VIRGINIA  
AUDIT SERVICES DEPARTMENT**



**Audit Services Department  
306 Cedar Road  
Post Office Box 15225  
Chesapeake, Virginia 23328-5225  
(757) 382-8511  
Fax. (757) 382-8860**

January 30, 2015

The Honorable Alan P. Krasnoff and  
Members of the City Council  
City of Chesapeake  
City Hall--6th Floor  
Chesapeake, Virginia 23328

Dear Mayor Krasnoff, and Members of the City Council,

We have completed our follow-up review of the Human Services Department. The review was conducted in August 2014. As of that date, the status of the report's 10 open recommendation was as follows:

7 had been implemented  
1 was in the process of being implemented  
1 was planned but not yet implemented  
1 was partially implemented  
     will not be implemented  
     is no longer applicable

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

Sincerely,

Jay Poole  
City Auditor  
City of Chesapeake, Virginia

C: James E. Baker, City Manager



**FOLLOW-UP REPORT**  
**HUMAN SERVICES**  
**PERFORMANCE AUDIT**

**September 2014**

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## **C. Operational Issues – Human Services - DSS**

There were two major issues that surfaced that impacted the efficiency and effectiveness of Human Service-DSS processes. The first was the need for more compliance and Information Technology infrastructure and support to improve communications and internal controls among the staff, especially within the Title IV-E program. The second was the need for a more robust Fraud program to ensuring program integrity in all Human Services programs.

### **1. Human Services Compliance and Information Technology Support Issues**

**Finding** - Human Services did not have automated processes in place to effectively and efficiently ensure compliance with Federal Title IV-E eligibility requirements for Foster Care and the Adoption Assistance programs, and did not have adequate controls in place to prevent or detect Title IV-E payment errors.

**Recommendation** - Human Services should continue to enhance its Title IVE compliance and control and develop procedures to help ensure this compliance.

**Response – Social Services under the Department of Human Services developed the Chesapeake DHS/DSS Title IV-E User’s Guide, an in-house manual, which provides each division’s role from processing IV-E paperwork through payment processing; Standard Operating Procedures for court ordered reviews was developed between the Agency and City Attorney’s Office (Attachment A). The agency obtained City approval to acquire Harmony, an automated payment system; City DIT and Purchasing are negotiating the maintenance agreement before commencing the project. In an effort to ensure compliance, a temporary Benefit Program Worker II is reviewing the IV-E cases and recommending changes prior to the federal audit scheduled in August 2013.**

**2014 Status** – This has been implemented. Processes are now in place. There were errors made at the state level for which the department. There’s now documentation of the state acknowledging the situation.

### **2. Fraud Program**

**Finding** - Human Services had 135 overdue Fraud investigations as of October 23, 2012.

**Recommendation** - Efforts should be made to reduce the investigation backlog.

**Response – In an effort to reduce the backlog, Social Services transferred management of the Fraud Unit to the agency Fiscal Administrator effective February 2013. A Memorandum of Understanding was developed and signed by the Commonwealth’s Attorney and Director of Human Services to establish guidelines to ensure cases are appropriately referred for prosecution and acted upon (Attachment B).**

**The agency Fiscal Administrator and Fraud Unit staff provide monthly updates and status reports to the Human Services Director and Assistant Director. The Fraud Unit will continue to be closely monitored by Human Services management.**

**2014 Status** – This recommendation has been implemented. Human Services has the signed Memorandum of Understanding as indicated in the audit response. In addition, the department has been understaffed since May 2012 to present which has led to the backlog of fraud referrals not handled within 90 days. Human Services has moved the Fraud Unit to the Benefits Division and three employees were assigned 24 referrals with a completion deadline of four weeks to clear up the backlog. The department will utilize a Management Analyst to monitor the Fraud Reduction Elimination Effort system (FREE) to capture data from the monthly fraud report to review performance trends. The Fraud Unit will continue to provide monthly status updates to ensure claims are processed timely; eliminating backlogs and successfully collecting overpayments. Human Services. The department is looking to fill vacancies for 2 PT Investigators and 1 FT BP Aide.

#### **D. Chesapeake Juvenile Services**

During the audit, we noted that Juvenile Services complied with its mission of providing a clean, safe, and protected environment for juveniles placed at Juvenile Services by the courts. However, the procurement processes used by Juvenile Services for expenses were not always consistent with City policies and procedures used to properly control and monitor expenses and obligations.

##### **1. Competitive Bidding**

**Finding - Juvenile Services did not consistently use the City’s competitive bidding processes as required.**

**Recommendation - Juvenile Services should consistently utilize the competitive bidding process as required.**

**Response – We concur with the recommendation and Juvenile Services will obtain competitive bids or quotes for items between \$1,000 and \$4,999 and obtain City contracts for items of \$5,000 and above. Juvenile Services and Purchasing will work together to resolve each individual procurement request.**

**2014 Status** – This recommendation has been implemented. Chesapeake Juvenile Services obtains competitive bids or quotes for items between \$1,000 and \$4,999.

## **2. Contract Process**

**Finding** – Juvenile Services did not consistently use the City’s contracting process as required.

**Recommendation** – Juvenile Services should ensure that it complies with City requirement for contract use.

**Response** – **We concur with the recommendation and agree to comply with the City requirement for contract use set forth in the Purchasing guidelines.**

**2014 Status** – This recommendation has been partially implemented. CJS is working with Purchasing to secure Purchase Orders (PO) in accordance with City’s contracting process. However, the delay in receiving POs for 60 days or more has resulted in some non PO voucher payments. Presently, it can take 2 or more months to receive a PO after it has been requested even when there is a contract in place. If the contract expires at the end of the fiscal year and has to be renewed for the followign year, it can take 4-6 months to get a PO.

## **3. Expense controls**

**Finding** – Juvenile Services did not verify that prices on received invoices agreed with negotiated contract prices.

**Recommendation** – Juvenile Services should take steps to ensure that invoice prices agree with negotiated contract prices so that it can verify the accuracy of prices paid.

**Response** – **We concur with the recommendation. Juvenile Services will establish and adhere to procedures to ensure that invoice prices agree with negotiated contract prices in order to verify the accuracy of prices paid.**

**2014 Status** – This recommendation is in the process of being implemented. Chesapeake Juvenile Services verifies that the prices on received invoices agree with the negotiated contract prices. Currently, CJS piggy backs on the schools and Conference Center Contracts. This is not been beneficial to CJS due to the fact that many of the items that they purchase are not listed on those contracts; therefore, CJS is unable to order the food. CJS has requested that Purchasing Department assist them in securing their own food service contracts.

#### **4. Non-Purchase Order Vouchers**

**Finding** – Juvenile Services incorrectly used non-PO vouchers almost exclusively for payment. This practice often bypassed City procurement requirements.

**Recommendation** – Juvenile Services should coordinate with Purchasing to generate requisitions and purchase orders for contractual purchases to ensure compliance with City Code.

**Response** –We concur with the recommendation and Juvenile Services will coordinate with Purchasing to generate requisitions and purchase orders for contractual purchases in compliance with City Code. We agree training is necessary and should be provided.

**2014 Status** – This recommendation has been implemented. CJS requests purchase orders in accordance with the City Code and Purchasing guidelines.

#### **5. Juvenile Services Resident Information Security**

**Finding** – Juvenile Services did not ensure that access of juvenile residents' individually identifiable medical treatment information was not sufficiently protected.

**Recommendation** – Juvenile Services should retain original existing documentation that contains individually identifiable health information and provide approved redacted copies to Finance.

**Response** – Staff will redact all identifying information concerning the resident to adhere to HIPPA. The copy maintained in case file will contain original client information.

**2014 Status** – This recommendation has been implemented. In order to ensure that residents' medical information is secure and adhere to HIPPA, resident's names and any other identifiable information is redacted prior to sending it outside of the facility.

#### **6. Juvenile Services Physical Security**

**Finding** – Juvenile Services exterior areas needed enhanced landscaping.

**Recommendation** – Juvenile Services should work with Parks & Recreation to ensure that the grass mowing frequency of the outside exercise yard keeps the grass maintained at a low enough height to facilitate security.

**Response – Juvenile Services will coordinate with Parks & Recreation department to ensure frequency of yard maintenance**

**2014 Status** – This recommendation has been implemented. CJS has coordinated with Parks and Recreation to increase the frequency of yard maintenance.

**E. Chesapeake Interagency Consortium**

Although the Consortium implemented the CIC program effectively to assist at-risk youths and families and had internal control and risk management practices in place, documentation illustrating how the internal controls worked was lacking. Additionally, the Consortium did not document verification that services were rendered on all invoices prior to payment.

**1. Risk Management and Internal Control Policies and Procedures**

**Finding -** The Consortium had not fully documented its risk management and internal control policies and procedures. The Consortium did not have procedures for identifying and assessing control deficiencies or an internal control monitoring program in place. Also, there was no ongoing training of employees, providers, or other agency personnel on applicable policies and procedures.

**Recommendation -** The Consortium should ensure that all internal control and risk management policies and procedures are reviewed and fully documented. It should also ensure that ongoing training is provided.

**Response – The Interagency Consortium completed a Self-Assessment Audit, which included an internal control assessment tool provided by the Commonwealth of Virginia - Office of Comprehensive Services; which will serve as the current documented internal control process. Corrective Action Plans were developed to address deficiencies in the areas of internal controls and risk management. The Fiscal Administrator reviews vouchers on a monthly basis to ensure the separation of duties remain intact and in compliance. Division of Social Services staff provides coverage when Consortium staff vacancies arise to ensure controls remain in place. The Program Coordinator attends quarterly regional meetings to obtain information about current policies and upcoming legislative issues. Out of area training is available and staff makes every effort to attend necessary training. All positions are currently filled which will allow for more consistent attendance to mandatory and optional trainings.**

**2014 Status** – This recommendation has been implemented. The CIC completed the Self-Assessment Audit for the Office of Comprehensive Services. A corrective action plan was developed to address the absence of written policies and procedures noting the program's risk management and internal control practices. Written procedures were

established and the Office of Comprehensive Services reported that “CPMT submitted a complete and satisfactory corrective action plan addressing all observations that were identified by CPMT.

CPMT and CIC staff initiated a Corrective Action Plan to address the need for annual and ongoing training for CMPT members, FAPT members and applicable stakeholders regarding the Comprehensive Services Act. Training has already been performed starting with FAPT managers.

The CIC Coordinator worked with Chesapeake Public Schools to address the ongoing problem of schools’ refusal to sign purchase orders for educational and community-based services funded through CSA. Chesapeake Public Schools agreed to work with CIC staff to develop a solution to this challenge and agreed to sign purchase orders for services funded through CSA.

## **2. Verification of Services**

**Finding** - The Consortium did not document verification that services were rendered on all invoices prior to payment. Payments for Foster Care related-services were made by Human Services from the Consortium budget without ensuring that the children were still in care.

**Recommendation** - The Consortium should document verification that services were rendered on all invoices prior to payment. Payments for Foster Care-related services should be made only after ensuring that the children were still in care.

**Response** – In May 2013, program staff met to discuss resolution and agreed to pilot the processing of monthly maintenance payments to foster parents in July 2013. The payments are made the following month for services provided by foster parents. A monthly Memorandum will be prepared to ensure payments are processed timely using the city processing system. Previously, the Virginia Uniform Welfare Reporting System (VUWRS), the program payment system utilized by Social Services, processed the maintenance payments as recurring payments. Human Services has recently contracted to purchase the web-based Harmony system which will serve as an upgrade to VUWRS. Consortium staff will provide training to the Chesapeake Community Services Board, Court Services Unit, Department of Health and Public School workers concerning the requirements to process vendor payments. The workers will review and verify services provided prior to payment of invoices by the Consortium.

**2014 Status** – This recommendation is not yet been implemented. The Department of Social Services (DSS) fiscal team and CIC staff are awaiting the implementation of the new Harmony/Champs accounting system to have all payments be issued by CIC (verses those regular maintenance payments made by DSS on behalf of CIC using CSA dollars). Since the project has not been implemented, it has delayed the transition to all

payments (and subsequent service verification) being facilitated by the CIC. It is anticipated that the project will be completed by October 1, 2014.

# **FOLLOW-UP REVIEW**

## **PARKS AND RECREATION**

**REPORT ISSUE DATE: JULY 2013**

**FOLLOW-UP REVIEW DATE: SEPTEMBER 2014**

**CITY OF CHESAPEAKE, VIRGINIA  
AUDIT SERVICES DEPARTMENT**



**Audit Services Department**  
**306 Cedar Road**  
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January 30, 2015

The Honorable Alan P. Krasnoff and  
Members of the City Council  
City of Chesapeake  
City Hall--6th Floor  
Chesapeake, Virginia 23328

Dear Mayor Krasnoff and Members of the City Council:

We have completed our follow-up review of Parks and Recreation (Department). The review was conducted in August 2014. As of that date, the status of the report's 12 open recommendations was as follows:

- 1   had been implemented
- 5   were in the process of being implemented
- 1   was planned but not yet implemented
- 5   was partially implemented
- will not be implemented
- is no longer applicable

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

Sincerely,

Jay Poole  
City Auditor  
City of Chesapeake, Virginia

C: James E. Baker, City Manager



**FOLLOW-UP REPORT**  
**PARKS AND RECREATION**  
**PERFORMANCE AUDIT**

**September 2014**

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## **C. Financial Control Issues**

Our review of financial controls at the Department identified a number of concerns that needed prompt attention. First, revenue controls for both the Athletic Division and the Summer Blast Program had not been developed sufficiently to protect City revenues, and revenue controls for some programs had not yet been automated. Cash controls were also not sufficiently developed, which placed sizable amounts of cash collections at risk. System controls for ActiveNet, a commercial software program used to manage many of the recreation programs, were also not fully developed, and system upgrades often occurred without sufficient testing and oversight. Finally, the Department did not always use City Contracts in the manner prescribed by City Code.

### **1. Athletics Division Revenue Processing**

**Finding** – The Athletics Division was not using the ActiveNet automated system to process registration payments for their various sporting events. In addition, there were inadequate processing controls and safeguards for receipts and deposits and deposits were not timely. Also, management oversight and direction were lacking for the revenue receipt process.

**Recommendation** – The Athletics Division should be required to use the ActiveNet system to process registration payments. In addition, the Department should develop and document revenue processing procedures that address accountability, safeguarding of assets, and segregation of duties, and implement a monitoring process to ensure controls are being followed.

**Response** – Parks and Recreation agrees with the findings above regarding the past practices and processes of individual and team registration and payments. Due to various eligibility issues and concerns, past management practices included separate manual athletic registration procedures. To this end, Parks and Recreation has already established and implemented new procedures for the manual system, which began during the Fall 2012 season with total implementation during the Spring 2013 season. (Note: The full text of the Department’s response is included in the body of the audit report).

**2014 Status** – This recommendation is in the process of being implemented. Credit cards are the preferred method of payment and are now utilized; however, some centers still do not have the capability to use them at this time.

### **2. Leisure’s Summer Blast Program**

**Finding** – The Summer Blast Program had significant revenue and operational control weaknesses including non-completion of attendance forms, management review of

supporting documentation, independent checks at the various Centers, and reconciling of revenue to attendance sheets.

**Recommendation** – The Leisure Division should develop and document revenue and operating policies and procedures for the Summer Blast program and adequately train staff. In addition, Leisure and Center management should provide oversight, accountability, perform independent checks and implement a monitoring process to ensure controls are being followed. In addition, revenue received should be reconciled to the number of attendees recorded on attendance sheets to ensure all fees were collected.

**Response** – Parks and Recreation agrees with the findings above regarding the process and implementation of policies and procedures of the Summer Blast Program. Under past practices, the Community Centers and Leisure Programs were operated as separate units, although each shared the same staff and facilities. Under the new reorganization plan of the Department that will be implemented in FY14, these sections will be combined and administered as one unit. This plan should address many of the past inconsistencies of supervision and establish efficient accountability of the center. (Note: The full text of the Department’s response is included in the body of the audit report).

**2014 Status** – This recommendation has been implemented. Each Community Center is now verifying the roster and attendance against sign in and sign out sheets daily.

### **3. Cash Controls**

**Finding** – The Department’s cash handling and settlement processes needed improvement, and controls and safeguards over cash needed to be enhanced.

**Recommendation** – The Department should develop and document cash handling and cash settlement process policies and procedures so that cash is adequately safeguarded. The policies and procedures should address cash controls for all divisions and Courier personnel. In addition, the Department should develop an ongoing monitoring process to ensure adherence to cash handling, cash control, and courier procedures. Also consideration should be given to establish the use of credit cards at the various divisions.

**Response** – The Department agrees with the findings above regarding the Cash Controls. The Department has already taken several steps to address the documentation, accountability and monitoring process of accounting for registrations and revenues. Although there are written policies, some are outdated, some do not cover all the areas now necessary in a growing department. Although there had been repeated staff training in the past, consistent and ongoing review and supervision are needed for accountability. In addition, changes in cash handling must be modernized as centers need to be responsible for direct deposit of cash to a night drop or to the Treasurer’s Department instead of a Departmental

**staff courier transporting funds to Central Parks and Recreation Accounting for additional reconciliation. (Note: The full text of the Department's response is included in the body of the audit report).**

**2014 Status** – This recommendation has been partially implemented. Deposits are placed in plastic security bags or locked bags and delivered to the City Treasurer's Office by Parks and Recreation Administration personnel. Park Rangers now accompany them when large quantities of cash are being transported. Parks and Recreation utilizes two people to reconcile all monies received at the Administration office. Written policies and procedures have been established regarding refunds and are being finalized them for all of the other areas of the department. Change funds at the Centers have been discontinued (with the exception of North West River Park) and employees have been trained on cash handling and credit card processing procedures. Some safes have been properly secured to the floor and there are work orders in place to finalize the rest.

#### **4. System Controls**

**Finding** – System access controls and testing of software upgrades and changes related to the ActiveNet system needed to be enhanced. In addition, the Department had not tested the data recovery process or removed invalid data from the system database. There was also no back-up person for the IT analyst.

**Recommendation** – The Department should take steps to enhance their system access controls, testing of system upgrades, data quality and integrity, and backup plans.

**Response** – **The Department agrees with the findings above regarding System Controls. Parks and Recreation's software solution is hosted by ActiveNet. This means that we do not have access to the data tables nor servers (since multiple customers reside on the same servers). Therefore, as part of the contract negotiation, ActiveNet must provide a Disaster Recovery Policy for the City of Chesapeake. In this policy, ActiveNet has a primary data center and a redundant site. Both weekly full and daily incremental backups are performed and data is constantly replicated to the secondary datacenter. Testing is completed on a private schedule. This was negotiated by Parks and Recreation, Information Technology and Purchasing. (Note: The full text of the Department's response is included in the body of the audit report).**

**2014 Status** – This recommendation has been partially implemented. Parks and Recreation does have a Disaster Recovery Policy for the City, and ActiveNet has its data and backups done daily and weekly on a secondary system. Testing is conducted on a private schedule. In addition, the database has been purged of items with high inactivity (5 years of inactivity); however, all of the historical information is still accessible.

Each Center has a minimum of three (3) dedicated work stations. One is utilized for member access (by swiping their identification card). The other two stations are utilized for conducting transactions. Employees are required to change passwords every 90 days, and there is a global setting of 10 minutes before the system will time out. Also, it has been communicated through management that everyone must log off from their computer upon leaving their station. However, there is no back-up to the I/T liaison for ActiveNet. There are also two trainers who conduct staff training, one for cash controls and another who handles test scripts etc. for ActiveNet.

## **5. Contracting Process**

**Finding** – The Department did not consistently use the City’s contracting process as required.

**Recommendation** – The Department should ensure that it complies with City requirements for contract use.

**Response** – Parks and Recreation agrees with the findings above regarding the Purchasing process for contractors. It has been suggested that City Departments have readily available access to copies and agreements for purchasing contracts, vendors, IDIQ’s, state contracts and cooperative agreements obtained and approved by Purchasing for these types of purchases in order for staff to stay in compliance with City procurement requirements. Many of the vendors Parks and Recreation utilizes throughout the fiscal year total greater than \$5,000 collectively but much less individually. To this end, Parks and Recreation will review their purchasing history and trends for past years and consolidate these items from all departmental operations. By consolidating these items for an entire fiscal year, initial purchase orders will be able to be set up by requesting full annual contracts. (Note: The full text of the Department’s response is included in the body of the audit report).

**2014 Status** – This recommendation is in the process of being implemented. Parks and Recreation has agreed to work with Purchasing and Finance to resolve the specific procurement issues such as the need for landscaping stone and portable restrooms for special events.

## **D. Operations**

Our review of several Departmental operational areas noted several areas where procedures could be enhanced. The department’s fee structure had not been reviewed for several years. Physical security and Inventory controls could be enhanced. Usage of the City’s Maximo asset management system was not optimal. Finally, the department had

not fully complied with city safety program requirements.

## **1. Fee Structure**

**Finding** – The Department’s fee structure had not been evaluated for several years. The potential for additional revenue existed in several areas including requiring Center membership for certain activities, increasing non-resident fees, and reviewing late pick-up fees for children.

**Recommendation** – The Department’s fee structure should be re-evaluated. The potential for additional revenue in areas including requiring Center membership for certain activities, increasing non-resident fees, and reviewing late pick-up fees for children should be explored.

**Response** – Parks and Recreation agrees with the findings above regarding the reevaluation of fee structure. Fees have, however, been reviewed and evaluated each year by several program areas to include a fee survey of other localities and similar activities. Some have been implemented. A full Department Fee Committee was re-instated under the current Director prior to this Audit, and the Department is in the process of reevaluating past policies and procedures to accommodate changes that have occurred in Parks and Recreation technology, procedures, facilities, and staffing. This is a time-consuming and labor-intensive task since there has been significant turnover and vacancies in leadership positions and should be completed prior to the next budget cycle.

**2014 Status** – This recommendation has not been implemented. Parks and Recreation plans to fix up facilities, add ADA restroom facilities, and fix bridges, paint etc. before increasing fees. Summer Blast, camps and class fees have been adjusted. With regards to refunds, Parks and Recreation will no longer provide full refunds. Instead they will be adjusted after deadlines and members will receive partial or no refund.

## **2. Physical Security Controls**

**Finding** – The Department’s physical security controls needed to be evaluated and enhanced.

**Recommendation** – The Department should evaluate physical security controls at its divisions and develop and implement a comprehensive physical security program that addresses various types of emergency situations and divisional physical security control procedures.

**Response** – Parks and Recreation agrees with the findings above regarding physical security controls. Only two community centers presently have active security alarms, only four have audible fire alarms and none have cameras. No

**parks facilities have security cameras. The Department does utilize its eight Park Rangers and an outside security agency to assist with security enforcement in parks and at selected recreational facilities. There are plans for an initial phasing of security systems and cameras in selected community centers in the FY14 budget.**

**2014 Status** – This recommendation is in the process of being implemented. Facilities and Purchasing are in possession of the plans. Parks and Recreation now has Capital Improvement Program and Operating budget funds for improvements.

### **3. Inventory Controls**

**Finding** – Departmental inventory control procedures needed improvement.

**Recommendation** – The Department should establish an inventory control system that provides timely inventory information for review.

**Response** – Parks and Recreation agrees that the Department should establish written inventory control policies and procedures and should have an inventory system that provides timely inventory information, control levels, usage records, and storage location information.

The Department continues to wait for the upgrade of the City's Maximo system so it can be utilized as it was intended in the warehouse. The way the system was originally set up would not work currently with the Department's existing warehouse situation. Parks and Recreation has been advised that any inventory control system put in place now would be a future duplication of effort and inefficient use of time management. (Note: The full text of the Department's response is included in the body of the audit report).

**2014 Status** – This recommendation is in process of being implemented. Grills, shelters, lights etc. is now accounted for, to include their condition, in their inventory. However, requested work order portal was denied.

### **4. Maximo System Utilization**

**Finding** – The Department's Maximo Asset Management system was not being utilized to its fullest potential.

**Recommendation** – The Department should take a more active role in ensuring that the Maximo system is utilized to its fullest potential, with sufficient support as required from Information Technology (IT).

**Response** – Parks and Recreation agrees that the Department should take a more

active role in ensuring that the Maximo system is utilized to full potential. This will be accomplished with revised guidelines and enforcement of policy after the Maximo upgrade is complete. During April 2013, the Work Order division was still entering data for work completed prior to April 2012. Staff has not been able to either catch up or keep up with data entries since even before the initial staff reductions that hit this section hard in 2011. Additionally, many of the errors noted are from the Maximo system, not the operators. These issues were reported to the vendor by the Department of Information Technology upon initial implementation. At this point, the Department will investigate alternative solutions after the upgrade is complete with the additional tools in Maximo 7.5. With the upgrade system, revised departmental policies, staff training, and consistent enforcement from supervisors, the work order procedures should become standardized and expedited.

**2014 Status** – This recommendation is in the process of being implemented. Parks and Recreation is awaiting updates to the Maximo system before they increase their usage of the system.

## **5. Safety Program**

**Finding** – The Department did not fully comply with City Administrative Regulation 1.19 regarding development of a safety program.

**Recommendation** – The Department should take steps to ensure it complies with Administrative Regulation 1.19 and other applicable occupational safety and health regulations and laws.

**Response** – Parks and Recreation agrees that the Department should take steps to fully comply with Administrative Regulation 1.19. The Department has already established a Department Safety Officer and begun revising and updating its safety program and manual to address related deficiencies. With the recent hiring of a new Risk Manager for the City, the Department will now work closely with him to ensure compliance and to better manage and address safety and occupational issues.

The Department will also be establishing a Safety Committee to assist in coverage and monitoring of its diverse programs and facilities as well as assisting in performing internal safety inspections, training, and safety postings.

**2014 Status** – This recommendation has been partially implemented. Parks and Recreation is working with Risk Management to perform internal safety inspections, training, and safety postings. They are also in the process of reinstating a public safety

division within the department. Additionally, they are working with Chesapeake Public Schools to ensure safety of playground equipment and lighting.

## **E. Northwest River Park**

We also reviewed physical conditions and park usage at Northwest River Park (NWRP) a 763 acre park in the southern part of the City. We noted that the parks facilities needed to be updated, and also noted that the parks usage was below that of comparable parks.

### **1. NWRP's Physical Condition**

**Finding** – The physical condition of Northwest River Park's (NWRP) facilities and infrastructure needed improvement.

**Recommendation** – NWRP should address the physical deficiencies identified and also develop and implement a continuous preventative maintenance plan.

**Response** – Parks and Recreation agrees that the Department should establish short- term and long-term plans to correct physical deficiencies and an ongoing preventative maintenance plan. Parks and Recreation has been working to identify and prioritize the deferred maintenance projects that have accumulated over many years. Currently, the scouts assist with repairs and replacements to the smaller items on the list such as kiosks, fencing and building repairs. They also tackle larger projects such as bridge replacement and the equestrian riding ring. Recently, a new picnic shelter and new playground have been added to the park as well as a number of other repairs and renovations such as to the water treatment area, electrical service, and cash register. Staffing has been a contributing factor in this decline, as the only maintenance person assigned to the parks for the last 10 years has also been responsible for cutting grass, cleaning restrooms and anything else including functioning in a special programs support personnel role. (Note: The full text of the Department's response is included in the body of the audit report).

**2014 Status** – This recommendation has been partially implemented. Parks and Recreation has replaced several bridges, added handicapped access to bathrooms and the south terminal pier has been removed and replaced with a floating dock. Some septic systems are starting to fail and they are working on solutions.

### **2. Campsite Usage**

**Finding** – Campsite usage at NWRP was below the usage at comparable parks. The lack of usage appeared to be related to a lack of effective promotion.

**Recommendation** – NWRP should take steps to increase its promotional activities, which in turn should increase usage of its camping facilities

**Response** – Parks and Recreation agrees that the Department must look at steps to increase its promotional efforts, not only for the campsites and at NWRP, but also for many other of the City’s resources operated by the Department. Staff has made several creative and innovative attempts during the past few years to promote programs and activities at the park. A video was completed in conjunction with Public Communications and DIT to highlight the cabins at NWRP, which is now posted on the website. Within the last 6 months, staff also completed and posted a video highlighting the park rangers and their favorite spots at Northwest River Park. Additional steps to be accomplished in the near future include additional social media alerts, marketing packages with other City resources, and new and revised maps and brochures. (Note: The full text of the Department’s response is included in the body of the audit report).

**2014 Status** – Northwest River Park cannot accept credit cards at the campsite due to a lack of Cox cable connection. Parks and Recreation has been negotiating with Cox on prices to run the lines. All phone lines, however, are fixed. The golf course, Frisbee, and disc golf activities will be opening soon. Northwest River Park does possess a \$50 change fund for seniors.

## **Managerial Summary**

### **Objectives, Scope and Methodology**

We have completed our review of the City of Chesapeake (City) Fire Department (CFD) for the period July 1, 2014 to June 30, 2015. Our review was conducted for the purpose of evaluating whether CFD was providing services in an economical, efficient, and effective manner, whether their goals and objectives were being achieved, and whether they were complying with applicable City policies and procedures. The audit included review and evaluation of procedures, practices, and controls of the various divisions of the CFD on a selective basis. All divisions of the Fire Department, including Suppression and Emergency Medical Services (EMS), Training, Prevention, Hazardous materials, and Emergency Preparedness, were subject to evaluation. With the assistance of CFD, we identified performance information that was relevant to the department's operations. We also identified and addressed any additional problem areas as requested by the CFD or determined from the audit itself.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

For FY 2015, the CFD had an overall budget in excess of \$45.3 million and a budgeted workforce of approximately 426 full-time sworn positions and 19 full-time civilian positions FY2015. The CFD served more than 231,000 citizens within the City's 353 square miles.

To conduct this audit, we reviewed and evaluated City and Department policies and procedures, and operational documents and reports both internal and external. We evaluated personnel data related to staffing. We accessed PeopleSoft expenditures to determine overtime. We conducted site visits of all 15 fire stations, the training and recruit facilities, warehouse facilities and participated in "ride-a-long" with medic operations. We conducted in-depth interviews with the Chief of the 1<sup>st</sup> Battalion/Acting Chief of Support Services, Fire and Emergency Medical Services Operations management, Support Services, Fire Prevention Management and Inspectors, the Account Supervisor, and various other fire and EMS personnel. We analyzed work order information from the Central Fleet Management regarding the heavy vehicle Fire Fleet as well as the City's 20

year vehicle replacement plan. We also analyzed EMS Ambulance fees over a five-year timeframe and compared the fees with other localities.

## **Major Observations and Conclusions**

Based on our review, we determined the Fire Department had accomplished its overall mission of providing rapid response to fires, medical emergencies, rescues, hazardous material incidents, natural and man-made disasters, as well as fire department support services. However, we did identify several significant issues that needed to be addressed. These issues were personnel staffing challenges, EMS coverage and support challenges, training facility and faculty limitations, Telestaff Scheduling and KRONOS Timekeeping issues, aging of the fire fleet, segregation of federal grant functions and fiscal administration, fire inspections staffing challenges, and EMS ambulance fees.

This report, in draft, was provided to Fire Department officials for review and response. Their comments have been considered in the preparation of this report. These comments have been included in the Managerial Summary, the Audit Report, and Appendix A. Fire and EMS Department management, supervisors, and staffs were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

## **B. Performance Information**

The core mission of the CFD was to improve the quality of life by providing responsive and caring service. According to the CFD 2014 Annual Report, the CFD was a complex, multi-faceted, service delivery machine, with many moving parts and gears. In 2014, the CFD responded to more than 28,000 calls for emergency service, plus thousands more customer contacts through business inspections, fire code compliance and public education programs. The department was responsible for managing a 430 person department and a 45 million dollar budget, strategic planning, conducting criminal investigations, training firefighters and paramedic personnel, preparing the City for weather events and disasters, and many other aspects of protective services. The CFD roles and responsibilities included fire prevention and suppression, emergency medical services, hazardous materials, technical rescue, the training division, fire building code enforcement for both commercial and residential structures, and emergency management.

### **1. Citizen Satisfaction**

The CFD provided essential services for the City and continued to deliver effective fire and emergency services to the citizens of Chesapeake. A research firm, Continental Research Associates, Inc., conducted 323 interviews from October 1<sup>st</sup> through October 29<sup>th</sup> 2014 to learn how Chesapeake residents felt about their community and the services provided by the City. In this survey, released in October 2014, the CFD had the highest score for the level of satisfaction of any City department or service ranked in the survey.

Specifically, the survey showed that 43% and 56.7% of the survey respondents were “very satisfied” and “satisfied” with CFD services, respectively, indicating an overall 99.7% satisfaction rating. The CFD also scored the highest average mean rate of 3.43 (out of a possible 4.0) in 2014. This was an increase from the CFD’s average mean rate of 3.34 in 2006.

## **2. CFD Call Volume Trends from 2010 to 2014**

From FY 2010 to FY 2014, the CFD averaged over 26,000 emergency calls a year. The call volume grew from 24,825 in 2010 to 28,154 in 2014, a 13.41% growth increase. This increase was primarily due to increases in EMS Calls, False Calls, and other general calls addressed by the Fire Department.

## **3. History**

The CFD was formed in 1963 with the merger of the City of South Norfolk and Norfolk County. The Department melded together several independent fire companies that had been providing service to the local communities since 1892. The Department has grown to 15 fire stations since that beginning and boasts over 400 well trained fire fighters divided into three battalions, three shifts, and an administrative section.

## **4. Initiatives**

There were also many innovative initiatives taking place within the CFD. Four of those initiatives were:

- ***Tri-City Automatic Aid Plan***
- ***Mobile Integrated Health Care.***
- ***ACCELA City-wide Initiative.***
- ***New World City-wide Program Initiative***

Details are provided in the report.

## **5. Grants**

Over the years, CFD had been aggressive in obtaining Federal and State grants through the efforts of its firefighters and paramedics. To their credit, firefighters had become the grant writers and administrators of Federal and State grants awarded to the City totaling in excess of \$13 million.

## **6. Fire Prevention**

The Fire Prevention Division streamlined its processes by implementing the MobileEyes Inspections System. MobileEyes will work with ACCELA by updating the status of permits issued as a result of a fire inspections plans review, annual inspections,

and re-inspections. Fire Inspectors would continue to use the MobileEyes software to manage their daily schedules and to assist with documenting code compliance and non-compliance based on the Statewide Fire Prevention Code (SFPC) requirements for commercial businesses.

## **7. Upward trend in EMS calls, the recession, and departmental changes**

Since the mid-1990's the City's population has continued to grow. The Fire Department's EMS calls was expected to increase with the rise of the aging population. Beginning in 2013, the City transitioned to a new three-year budget cycle. During that time, CFD completed a long-range replacement schedule for fire stations and capital facilities. Also in 2013, all Advanced Life Support (ALS) personnel were reassigned to Engine Companies. Medic Units would be staffed with EMT-Basics or Enhanced Firefighters to address the high volume of less serious EMS calls. Due to the shortage of ALS personnel, ALS paramedic/firefighters would be reassigned to Fire Engines to address more serious calls along with fire calls. The goal was to save wear and tear on the engines and keep them more readily available. CFD made further adjustments by hiring civilian, part-time EMT-Basics to staff two additional medic units to only be used during peak demand hours to address less serious calls.

### **C. Operational Issues**

CFD was experiencing significant staffing, coverage and budgetary challenges. These challenges included CFD personnel staffing challenges based on NFPA and OSHA safety standards, EMS coverage and support challenges, CFD's training facility and faculty, Telestaff scheduling and KRONOS timekeeping system coordination, Aging of the fleet, Federal, State, and City grant functions and fiscal administration, Fire Inspections, and EMS Ambulance Fees

#### **1. Personnel Staffing Challenges**

**Finding** - CFD was experiencing a chronic shortage of firefighter and paramedic personnel resulting in (1) engines being staffed at less than the four-person crew required by NFPA 1710 5.2.3, and (2) overtime expenses in excess of \$3.7 million for the period FY 2012 through FY 2014.

**Recommendation** - The City should prioritize making changes to expedite the Human Resources – Fire Entrance Process, on-going advertisements for firefighter EMTs and paramedic/firefighter I positions, and create hiring incentives for new firefighters and paramedics.

**Response** – Level of Agreement: CFD agrees with this finding, but with consideration given to some additional factors noted below.

The staffing challenges the Fire Department faces are connected with a number of factors identified in the Audit report. National studies have shown the increased safety, efficiency and effectiveness that a 4-member company provides over a 3-member crew. While there is certainly agreement with the results of those studies, only firefighting operations were considered. With the Chesapeake Fire Department being a Fire-based EMS delivery system there is an added value of a fourth person on each company, especially when one of those firefighters is also cross-trained as a paramedic. This will insure Advance Life Support (ALS) care is available to our patients, in cases such as sudden cardiac arrest, when an engine company arrives on the scene prior to arrival of the medical transport unit. The Department's long-term goal is to staff all Engines and Ladders with 4 members, with each Engine staffed and equipped with ALS capabilities. There is also an anticipated need to increase the capabilities of transport Medic Units to meet the service demands of both the increasing population of the City, as well as the healthcare and medical emergencies of an aging customer base as the baby boomer generation reaches senior citizen status. The audit report recommends increasing the number of ambulances and converting our part-time units to full time status. While there will certainly come a point in time where additional ambulances will be needed, we have been successful in maximizing current staffing resources by targeting peak-time demand call load. Given the City's current financial situation, we see this as a much less expensive and more effective use of staffing than a wholesale increase in the complement for around the clock coverage. The four-person, Advance Life Support (ALS) engine companies noted in this report will provide a viable safety backstop for EMS delivery. (Note: The full text of the Fire Department response is included in the body of the audit report.)

## **2. EMS Coverage and Support Challenges**

**Finding** - The EMS Division did not have enough funded positions to support all of the critical functions required of Chesapeake's EMS services.

**Recommendation** - As more paramedics become available through the new hire process, the CFD should consider reactivating supervisory paramedic coverage in EMS 2.

**Response** – The Department agrees with the assessment findings that the Field Medical Officer positions (3) for the Second Battalion should be reinstated as additional paramedic staffing becomes available. In an effort to manage a growing EMS system administratively, the decision was made to temporarily defer filling these positions in order to address other system-wide needs. As vacancies are being filled, there is a greater need for clinical supervision in the field to insure

quality patient care is being provided. The Field Medical Officer position also delivers clinical back-up and support to these new providers. (Note: The full text of the Fire Department response is included in the body of the audit report.)

### **3. CFD Training Facility and Faculty**

**Finding** - The lack of a modern training facility, faculty, and a permanent training location, significantly contributed to a cycle of firefighter shortages. Frontline staff were temporarily reassigned to the training facility from field operations in order to staff the recruit schools as well as conduct needed repairs to classroom facilities. Recruit schools had also been postponed due to CFD's need to reassign personnel to address staffing shortages in field operations.

**Recommendation** - The CFD should work with the City to consider development alternatives for a Joint Public Safety Training Facility which addresses the CFD's need for a permanent location and upgraded facility, with space and props needed to train firefighters and paramedic firefighters.

**Response – Level of Agreement:** CFD strongly agrees with this finding.

The Training Division is responsible for all of the training needs, requirements and maintenance of training records for all 400 sworn personnel positions. This includes training new recruits as well as maintaining the knowledge, skills and abilities of our incumbent members. In addition to training our department, we also coordinate CPR education for a number of other City Departments. As indicated in the audit report, this is accomplished with only 3 budgeted positions. To conduct recruit schools and accomplish a minimal amount of in-service training, firefighters are taken out of the field and assigned to the Training Division. Reassigning these firefighters creates vacancies in field operations, which results in either an increase in overtime to cover those vacancies or a reduction below the minimum staffing requirements and/ or service delivery capabilities.

The Department lacks a dedicated training facility, which has been identified as a critical Public Safety need for many years. The current arrangement with the U.S. Navy has helped us over the years; however, it does not meet the needs or expectations of a modern training facility. The quality and frequency of the training that can be conducted has suffered due to these restrictions. While this agreement does provide a space to use and the accessibility of some props associated with the facility, we must abide by the Navy's policies and procedures. This has hampered our Department on many occasions. (Note: The full text of the Fire Department response is included in the body of the audit report.)

#### **4. Telestaff Scheduling and KRONOS Timekeeping Issues**

**Finding** - The City's implementation of Workforce Central (WFC) KRONOS caused another layer of cumbersome, labor intensive activity for the CFD. The lack of an interface between the KRONOS timekeeping system and the CFD's Telestaff Scheduling system created inefficiencies in the CFD's scheduling process.

**Recommendation** - The City's IT Department recommended (and Audit Services concurred) that the new Kronos/Telestaff integration processes should be revisited and tested to determine if the new features meet the CFD's scheduling and timekeeping synchronization needs.

**Response** - **Level of Agreement: CFD agrees with this finding.**

It is the goal of the Fire Department to obtain this interface for efficiency with employee data sharing, roster actions, and timecard management. The recent updates to the Kronos Telestaff interface with WFC Kronos appear to bring improved functionality between the two systems. With system integration, the Fire Department will likely reduce the workload for manual entries, in turn reducing the possibilities of inconsistencies within the data. Coincidentally, the Fire Department, Police Department, and Department of Information Technology are currently working on a Telestaff interface within the Computer Automated Dispatch (CAD) and Records Management System (RMS) project; this interface delivers Telestaff roster information directly to run reports.

The Fire Department, in conjunction with the Department of Information Technology, will work to identify functional requirements and funding alternatives for implementation and sustainment of maintenance costs while being vigilant in verifying the end result will provide a true return on investment (ROI). (Note: The full text of the Fire Department response is included in the body of the audit report.)

#### **5. Aging of the Fire Fleet**

**Finding** - The CFD experienced excessive heavy equipment downtime and continued to rely upon an older, less reliable, and rapidly deteriorating reserve fleet to provide city-wide operational coverage, resulting in lost opportunity costs in excess of \$2.6 million.

**Recommendation** - The CFD should work with the City to develop a vehicle replacement plan that takes advantage of resale values of Fire vehicles, and forgoes future repair costs to maintain older, rapidly deteriorating fire equipment.

**Response** - Level of Agreement: CFD strongly agrees with this finding.

The Fire Department works closely with Central Fleet to maintain, repair and replace apparatus. Funding for new/replacement apparatus comes from the Central Fleet budget and is not included in the Fire Department's expenditures. The Fire Department submits annual requests for vehicle replacement to Central Fleet and they determine what units (throughout the City) will be funded for replacement. Their budget must serve the needs for all of the City's vehicle purchases. Over the years the Central Fleet's budget has not been adequate to replace the Fire apparatus at a consistent and acceptable rate to avoid the high repair costs, excessive out of service time, and lost opportunity costs. (Note: The full text of the Fire Department response is included in the body of the audit report.)

## **6. Segregation of Federal Grant Functions and Fiscal Administration**

**Finding** – The CFD lacked a Fiscal Administrator. In addition, at the onset of this audit, CFD had unreconciled differences netting approximately \$521,695 between the City's financial expenditure records and Grant reimbursements to the City.

**Recommendation** - The CFD should focus on improving its fiscal and grants administration by renewing its request for a Fiscal Administrator. This action would improve fiscal and grants reporting and reconciliation processes for the CFD.

**Response** - Level of Agreement: CFD agrees with this finding.

As mentioned in the report, the Fire Department has been very aggressive in competing for, and being awarded, over \$13 million in grants over the past several years. This funding has greatly enhanced Fire, EMS and Emergency Management capabilities at both the City and regional levels. In 2014, unreconciled differences of \$521,695 between financial expenditures and grant reimbursements were discovered. The Department contracted the services of an independent CPA to review the differences and assist with reconciling all of the balances. The consultant completed the work in early 2015; accounting for and reconciling nearly all of the differences in grant expenditures. Working together, the Fire Department and Finance Department completed the work and reconciled 100% of the remaining differences accounting for all the funds. This entire process greatly improved the daily working partnerships between Finance and the Fire Department, which continues today as normal business operations. (Note: The full text of the Fire Department response is included in the body of the audit report.)

## **7. Fire Inspections**

**Finding** - The Fire Prevention Division did not have adequate staffing levels to complete its goal of performing 100% of annual inspections for commercial businesses in FY 2014. Instead, the CFD completed only 3,865 of 6,668 (or 57%) of the commercial business inspections.

**Recommendation** - Since dollar losses due to fire remains elevated, the CFD and the City should review program staffing needs for the Fire Prevention Division to reduce safety risks to firefighters, paramedics, and citizens as well as fire losses.

**Response** - Level of Agreement: CFD agrees with this finding.

### **Staffing**

Over the past 6 years, there has been an intentional and focused direction to enhance the efficiency and effectiveness of Fire Prevention site inspections throughout the City. In terms of life safety and property conservation, this has been both to prevent fires from occurring, and to minimize the impact when they do occur. This report indicates that the Fire Department has been successful toward that goal. Thousands of serious fire and building code violations have been discovered and corrected during this timeframe.

#### **Inspections – Percentage Completed**

In the Fall 2010, the Fire Prevention Office began using our current inspection records management system, MobileEyes. Prior to MobileEyes, inspection records were entered and maintained in the inspection section of our fire records management system, FirePoint. Initially, all inspection data was transferred from FirePoint to MobileEyes. It was later found that inaccurate data, such as duplicate occupancies and incorrect occupant use groups, were included in the data transfer. Some of the percentage of completed inspection data contained in Table 11 is a result of the inaccurate data currently in MobileEyes. Training will be conducted regarding updating the occupant information during each inspection and verifying that duplicate entries are deleted. This training will occur in early Fall of 2015. Once this is implemented the accuracy of the data in MobileEyes will improve. (Note: The full text of the Fire Department response is included in the body of the audit report.)

## **8. EMS Ambulance Fees**

**Finding** – Chesapeake’s EMS Ambulance Fees were well below that of other Virginia cities and counties. In FY 2014, the total amount of ambulance fees collected by the City was approximately \$4.6 million and only subsidized 16% of the cost of EMS Services valued at approximately \$28 million.

**Recommendation** – Once EMS Ambulance fees are increased, the City should designate the revenues to address system operational and personnel needs in response to increasing demand for firefighter/paramedic services.

**Response** - Level of Agreement: CFD agrees with this finding.

In 2015, the City Council approved the increase to EMS Transport Fees as listed previously to bring CFD to the median of the 13 City/County report published by the Budget Office. This suggestion was made by CFD to bring the agency in line with the local market value and the Center for Medicare Services (CMS) Ambulance Fee Schedule. EMS Transport Fees are billed through the City Treasurer's Office and all funds collected go to the General Fund. The Department is currently working with City Administration and local healthcare systems to insure the increase does not place an undue burden on City residents that do not have the financial means to pay their EMS Transport Fee through debt forgiveness for charity care. (Note: The full text of the Fire Department response is included in the body of the audit report.)

## **Managerial Summary**

### **A. Objectives, Scope, and Methodology**

We have completed our review of Chesapeake Integrated Behavioral Healthcare (CIBH) for Fiscal Years (FY) 2014-15. Our review was conducted for the purpose of determining whether CIBH was providing services in an economical, efficient, and effective manner, whether its goals and objectives were being achieved, and whether it was complying with applicable City and Department policies and procedures and financial administration regarding cash control and handling, access control, drug policies, and billings and accounts receivables.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

CIBH was tasked with providing behavioral healthcare services to Chesapeake citizens and support and assistance to people whose lives were affected by mental illness, substance abuse, intellectual disability, and other developmental difficulties. To that end, they offered in-office services such as individual, family, and group counseling, initial screening and assessment, psychiatric services and medication management. In addition, CIBH staff went into the community to conduct emergency mental health screenings, provide case management services, conduct developmental assessments, present drug and alcohol prevention training classes, and deliver assertive community treatment to individuals with serious mental illness who can benefit from closer monitoring and more intensive treatment. Vocational and pre-vocational services were offered to adults with serious mental illness and/or intellectual disability, and residential services for provided for those with severe needs at the Highlands Place Intermediate Care Facility for Individuals with an Intellectual Disability (ICF-IID). Ancillary services such as transportation to and from appointments and assistance applying for various benefit programs was offered as available.

For Fiscal Year (FY) 2014-15, CIBH had an operating budget of \$22,399,059. The department had an authorized complement of just over 245 full-time positions. CIBH funding sources included Federal, State, and City funds as well as client payments in the form of self-pay and insurance payments. The central office and primary treatment facility were located in the Great Bridge section of the City on Great Bridge Boulevard. Additional locations included Coastal Clubhouse, the psychosocial rehabilitation facility, located next to the central office, the Intermediate Care Facility for individuals with intellectual disability

on Rokeby Avenue, the Community Options Program, the day support program for individuals with intellectual disability and the library café located in the South Norfolk library. Just prior to this audit, a significant personnel change occurred that affected several of the audited areas. CIBH's Assistant Director position was converted to Director of Administrative Services to provide closer oversight of the fiscal, reimbursement and information technology areas. CIBH's long-term Fiscal Administrator was promoted to Director of Administrative Services, and a new Fiscal Administrator hired as a replacement.

## **Major Observations and Conclusions**

Based on our review, we determined CIBH was accomplishing its overall mission of providing a variety of behavioral healthcare services that were critical to helping individuals integrate into the community and improving their quality of life. However, we did identify several areas of concern that needed to be addressed. Those areas included cash handling and receipts, accounts receivable, pharmacy control procedures, and card access controls.

This report, in draft, was provided to CIBH officials for review and response and their comments have been considered in the preparation of this report. These comments have been included in the Managerial Summary, the Audit Report, and Appendix A. CIBH concurred with most of the report's recommendations and had either implemented or begun the process of implementing many of them. CIBH's management, supervisors, and staff were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

## **B. Performance Information**

CIBH's mission was to provide the 230,000 citizens of Chesapeake with comprehensive community-based services and support for residents with mental health, substance abuse, and intellectual disability needs, including services for infants with developmental delays. This mission was accomplished through CIBH's offerings of treatment and support that assisted Chesapeake residents in managing their illnesses and helped individuals integrate into the community and improved their quality of life. To meet this goal, CIBH offered services which included individual and group therapy, psychiatric services, day support, intermediate care, early intervention and prevention services as well as case management.

### **1. Performance Measures**

In providing services CIBH, in addition to its' paid staff, was assisted by volunteers in various roles throughout the organization. In FY 2012-13, 5,220 hours were volunteered, or an additional 2.5 full-time equivalent workers. The FY 2014-2015 budget included 4,600 volunteer hours.

In FY 2014-15, for the three main treatment areas, CIBH was expected to provide 21,517 hours of outpatient services, 13,312 hours of case management, and 6,554 hours of emergency services in Mental Health; 23,810 hours of outpatient services, service to 1,232 outpatients, and 1,155 days of detox services in Substance abuse; and 20,000 hours of early intervention, 40,000 hours of day support, and 8,400 hours of staffing for 280 families and 373 case management clients experiencing Intellectual Disabilities. All these numbers either increased or stayed the same relative to the prior fiscal year.

### **C. Financial Control Issues**

Our review of financial controls at CIBH identified a number of concerns that needed prompt attention. First, cash handling controls were not sufficiently developed, which placed sizable amounts of cash collections and petty cash at risk. Review of accounts receivables showed that the billings for the Intermediate Care Facility were not being paid by Medicaid and that a significant amount of past due billings were not pursued during a period of staff shortage. Reconciliations of client payments between the Credible AR and the Treasurer's system were several months behind and had segregation of duty issues. Finally, banking procedures for affiliated corporations and personal client accounts could be enhanced.

#### **1. Cash Handling, Petty Cash and Settlement Processes**

**Finding** – CIBH's procedures for cash handling, petty cash (p/c) and settlement processes did not sufficiently address cash handling, petty cash, settlement, internal controls, and the safeguards over assets. In addition, there was minimal oversight and monitoring of the front office and petty cash operations.

**Recommendation** - CIBH should develop and document cash handling, cash settlement process, and petty cash (p/c) policies and procedures so that cash is adequately safeguarded. In addition, CIBH should develop an ongoing oversight and monitoring process to ensure adherence to cash handling and cash control procedures, and individuals responsible for p/c operations should provide oversight and monitoring over the p/c operations to ensure that documented procedures were being followed.

**Response** – CIBH has complied with all recommendations by improving the City's cash collection and petty cash procedures to include cash settlement reconciliation signed by supervisors and the use of new petty cash receipts. Random unannounced cash collection audits and semi-annual petty cash audits will be conducted bi-monthly by Fiscal staff to monitor ongoing compliance with the revised procedures. Physical security of petty cash funds has been improved through use of locked cash drawers and a two-part combination for the front office safe. Two inactive/low activity petty cash funds have been dissolved. (Note – the full text of the CIBH response is included in the body of the audit report.)

## 2. Medicaid and Accounts Receivable

**Finding** – CIBH had an accounts receivable balance in excess of \$2,816,364, of which almost \$635,000 could be considered uncollectable. There was also an additional \$1.0 million in receivables from other sources, of which almost \$400,000 was over six months old and could be considered uncollectible.

**Recommendation** – CIBH should ensure that all necessary billing requirements for new services are understood and readily executable so that they can be fully implemented in sufficient time to avoid writing offs.

**Response** – CIBH received reimbursements of \$2,051,327 in June 2015 related to the ICF and has resolved all known issues related to billing the ICF and fully expects to collect all revenue with the exception of the foreseen pre-certification costs already allowed for. The pre-certification receivables have been written off. The ICF has new management and is fully engaged in following the Medicaid procedure manual and ICF protocols that could prevent timely billing for services. The reimbursement unit has also hired a part-time temporary position to aide in recovering any aged receivables, and intends to monitor the workload of the current staff during the fully staffed period to ensure adequate staffing needs. (Note – the full text of the CIBH response is included in the body of the audit report.)

## 3. Segregation of Duties – Front Desk Staff

**Finding** – The CIBH front desk staff responsibilities for data entry and reconciliation were not sufficiently segregated. In addition, reconciliations against the City’s financial system were not being completed in a timely fashion.

**Recommendation** – CIBH should take steps to improve segregation of duties for its reimbursement staff, and should also ensure that reconciliations against City financial records are completed in a timely manner.

**Response** – The PeopleSoft general ledger entry, Credible Client AR entry, and handling of cash deposits into the Treasurer’s system are conducted by three separate individuals in all cases. Sufficient segregation of duties does exist. Staffing shortages that delayed the reconciliation of AR deposits between the Treasurer’s system and the subsidiary ledger in Credible have been resolved, and these reconciliations have returned to a monthly frequency. The overall reconciliation of AR between the general ledger and subsidiary ledger has always and continues to be conducted monthly.

#### 4. **Banking Procedures for CIBH-affiliated nonprofits**

**Finding** - Bank procedures for Elizabeth River Properties of Chesapeake and CSB of Chesapeake, Inc. lacked adequate segregation of duties. Also, account balances exceeded the FDIC insurance limit.

**Recommendation** – CIBH should address the banking procedure control issues associated with its affiliated corporations

**Response** - Elizabeth River Properties of Chesapeake, Inc. has a seven member board of Directors and is supported by two CIBH staff members (an Executive Director and a Housing Administrator) in addition to two contract positions (a bookkeeper and a property manager). The contract bookkeeper was vacated in October of 2014 and refilled in May of 2015. During the interim the ERPC Executive Director performed the duties of the bookkeeper. As a compensating control during this time period the Treasurer was asked to review the bank reconciliations. Now that the bookkeeper position has been refilled the practice will return to the bookkeeper performing the reconciliation and review of the bank reconciliations by the Executive Director. The bookkeeper does not have any banking authority. (Note – the full text of the CIBH response is included in the body of the audit report.)

#### 5. **Client Personal Fund Accounts**

**Finding** - Policies and procedures for CIBH's personal resident accounts had not been updated and did not sufficiently address client check cashing processes, account cash limits, and client and guardian monthly statements.

**Recommendation** – Procedures for the handling of residents personal fund accounts should be updated.

**Response** - Consolidated monthly statements from the UP Center and Highlands Place will be mailed to each Authorized Representative assigned for each resident on a Monthly basis.

The following revised Resident Check Cashing Procedures have been implemented. The Account Technician will contact the Representative Payee to request resident's funds only when needed. Resident's personal funds account held at Highlands Place should always be \$80 or under. Upon receipt of the resident's check the check stub will be date stamped with the date of receipt and placed into safe. Staff will be notified via email that the resident has a check that needs to be cashed as soon as possible. The Account Technician is responsible for assuring that the resident's checks are cashed within 2 weeks of date of receipt of checks. Once the check has been cashed the check stub will then be date stamped with "Date cashed" and the deposit of the funds will be documented in the "resident's fund" excel spread sheet and a receipt will be filled out documenting the

deposit of funds along with the completion of section III of the "Resident Funds Expenditure Request/Deposit Form.

#### **D. Operations**

Our review of several CIBH operational areas noted three areas where procedures could be enhanced. CIBH security of controlled substances and compliance with DEA regulations required prompt attention. Med Room Sample Drug controls and CIBH access card controls could be enhanced. Finally, CIBH should work with Human Resources to revise Administrative Regulation 2.44, so that more of its clinical staff was subject to testing, and review its conflict of interest practices.

##### **1. Controlled Substances – PACT**

**Finding** - The CIBH received, stored and delivered Schedule II and Schedule IV controlled substances (CS) for their clients; however, the CIBH was designated as an Alternate Delivery Site and was only licensed to receive, store and deliver Schedule VI medications. In addition, there was minimal management oversight and monitoring over PACT operations.

**Recommendation** – The CIBH should immediately discontinue receiving, storing, and delivering any Schedule II to Schedule V controlled substances. Additionally, management should take an active role in the ongoing oversight and monitoring of PACT operations.

**Response** - Schedule II through Schedule V controlled substances are no longer accepted into any CIBH facility. Pharmacies delivering medication, PACT staff and individuals bringing their medication into the building have been notified CIBH will not accept storage of Schedule II to Schedule V controlled substances on the premises. PACT supervisory/managerial staff monthly scan the medication delivery packing slips to assure no Schedule II to Schedule V medication has been delivered. Policies and procedures have been put into place to prevent the delivery and storage of Schedule II through Schedule V controlled substances. All PACT staff have been educated regarding these policies and procedures and have documented acknowledgment of receipt of such policies and procedures. Medication deliveries are reviewed to ensure that no Schedule II through Schedule V controlled substances are accepted into the building. The Medication Log is reviewed to ensure no Schedule II through Schedule V controlled substances are in the PACT medication room. (Note – the full text of the CIBH response is included in the body of the audit report.)

## 2. Pharmacy Control Procedures – PACT

**Finding** - The Program of Assertive Community Treatment (PACT) Division was not in compliance with Virginia Board of Pharmacy regulations as they related to delivery of dispensed prescriptions. PACT's policies and procedures did not sufficiently address the receipt, accountability, control, and safeguarding of drugs; employees were not properly trained on the handling and receipt of drugs; and incident reports were not always completed as required when incidents occurred.

**Recommendation** - The CIBH should comply with the Virginia Board of Pharmacy's regulation as it relates to the delivery of dispensed prescriptions. PACT procedures should be updated to address the receipt, accountability, control, and safeguarding of drugs and ensure that employees are properly trained. Additionally, incident reports should be properly completed and forwarded to the Quality Assurance division within 24 hours as required by policy.

**Response** - Policies and procedures have been put in place with regard to medication deliveries and medication brought into the facility by individuals receiving PACT services to ensure these medications are recorded in the medication inventory, and put into the correct medication storage bags. With respect to medication deliveries that come to the facility via mail, the packing orders are checked and confirmation of the receipt is faxed back to the vendor. (Note – the full text of the CIBH response is included in the body of the audit report.)

## 3. Psychiatric Med Room – Controls

**Finding** - Psychiatric (Psych) med room clients did not always sign for their drugs when they were dispensed. The inventory controls for drug samples held in the Psych med room needed to be redesigned. Further, inventory audits of sample drugs were not performed on a periodic basis.

**Recommendation** – CIBH should ensure that all drugs are signed for by clients when dispensed. Also, inventory control practices and form should be redesigned, and surprise Inventory audits should be performed on sample drugs at least quarterly.

**Response** - The Virginia Board of Pharmacy regulation:VAC18110-20-275, covering the delivery and dispensing of prescriptions to clients does not pertain to sample medications. The Virginia Board of Pharmacy does not regulate sample medications.

The original audit for client signature upon receipt of medications was not completed with a nurse present. The audit presented to me was a review of 209 charts with 184 missing signatures. Upon my review of the same 209 charts there were only 50 missing signatures. A total of 77 % of the charts did contain signatures. The discrepancy occurred because the Credible system only allowed the signatures to come up that were in a

designated signature box on the med pick up service. (Note – the full text of the CIBH response is included in the body of the audit report.)

#### 4. Cardkey Access Cards

**Finding** - Policies and procedures for the handling and control of access card issuance, receipt, safeguarding, and accountability had not been developed, documented, and implemented. In addition, employees were not adequately trained on the handling of access cards, and there was minimal oversight over card access processes.

**Recommendation** – CIBH should develop, document, and implement access card handling process policies and procedures so that the integrity of the data on the card access system is accurate. Employees should be adequately trained on access controls. In addition, CIBH should develop an ongoing oversight and monitoring process to ensure adherence to access cards procedures.

**Response** - CIBH has implemented or is in the process of implementing the following changes:

- Administrative MIS Staff have been issued individual accounts by the Main Card Access Administrator.
- A Formal Request to Add/Transfer/Remove user Access had been established suspensions and terminations are walked by the supervisor to MIS.
- MIS has begun to explore a process of exporting active card access accounts into a CSV file and comparing accounts against the active directory export form the network access. Those accounts that are outside of the network scope are then filtered by the internal HR list by the appropriate staff members.

(Note – the full text of the CIBH response is included in the body of the audit report.)

#### 5. Random Drug Testing

**Finding** - The CIBH required ongoing random drug testing for van drivers as a requirement of the City's Substance Abuse Policy (Administrative Regulation 2.44). However, it did not require ongoing random drug testing for employees such as Clinicians, Nurses, and Program Supervisors.

**Recommendation** –The CIBH should consider implementing an ongoing random drug testing program for positions such as Clinicians, Nurses, and Program Supervisors.

**Response** – As noted CIBH follows the current Administrative Regulation 2.44 as written. We are in favor of expanded testing of additional job classifications up to including all City of Chesapeake employees in the random pool. CIBH believes that every employee provides a vital role in the delivery of our services and the abuse of substances by any employee can negatively impact the quality of service to an individual.

## 6. Conflict of Interest Practices

**Finding** – CIBH did not have effective departmental conflict of interest practices.

**Recommendation** – CIBH should strengthen its conflict of interest review practices.

**Response** – CIBH will be implementing a standardized form that will be included in Credible. All employees will be required to complete the form on at least an annual basis or more frequently if they obtain outside employment during the year. Placing this form in Credible will allow us to better manage the completion of the form and to prepare additional analysis in a more efficient manner.



**Managerial Summary**

**A. Objectives, Scope, and Methodology**

We have completed our review of the City of Chesapeake (City's) Capital Project Management Practices for Fiscal Year (FY) 2009 through FY 2015. Our review was conducted for the purpose of determining whether the City's capital project management practices were economical, efficient, and effective, whether goals and objectives were being achieved, and whether they complied with applicable City and Department procedures.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Each fiscal year, the City Manager prepares a five-year capital improvement budget and presents it to City Council for appropriation approval. Not all capital projects were able to be completed within a fiscal year; therefore some projects were started or approved in previous fiscal years. Also, some projects not scheduled to commence during the current fiscal year were placed on the five-year capital improvement budget (CIB) to designate future funding. There were 285 capital projects listed on the City's CIB for FY15, with projected funding as follows:

***FY15 Capital Project costs and funding***

<b>FY15 FIVE YEAR BUDGET PLAN</b>		<b>FY15 ACTIVE CAPITAL PROJECTS</b>	
FY 2015	\$63,563,428	Previous Funding	\$ 879,012,647
FY 2016	\$83,343,266	5 Year Total	\$ 345,507,000
FY 2017	\$68,074,403	Funding Beyond 5 Years	\$ 279,423,838
FY 2018	\$68,563,428	<b>Total Project Funding</b>	<b>\$1,503,943,485</b>
FY 2019	\$39,571,064		
<b>5 Year Total</b>	<b>\$345,507,000</b>		

## **Major Observations and Conclusions**

Based on our review, we determined the City had accomplished its overall mission of oversight and maintenance for capital projects. However, we did identify several areas of concern that needed to be addressed. Those areas included standardization of project reports, planning for common historical costs contingencies and others.

This report, in draft, was provided to City officials for review and response, and their comments have been considered in the preparation of this report. These comments have been included in the Managerial Summary, the Audit Report, and Appendix A. City management, department heads, supervisors, and their staffs were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

### **B. Performance Information**

The Project Management Institute describes a project as a temporary endeavor that has a defined beginning and end in time, and a defined scope and resources. “A project is unique in that it is not a routine operation, but a specific set of operations designed to accomplish a singular goal. So a project team often includes people who don’t usually work together – sometimes from different organizations and across multiple geographies.

Projects may include the development of software for an improved business process, the construction of a building or bridge, the relief effort after a natural disaster, the expansion of sales into a new geographic market. Projects should be expertly managed to deliver the on-time, on-budget results.” Capital projects were delineated into nine general categories, seven typical Improvement types, and seven typical project statuses.

In October 2012, two members of City Council reviewed the Animal Services facility construction project and developed findings and recommendations. Although their report focused specifically on the Animal Services facility, many of the issues they discovered were applicable to other City facility projects. We noted that while some of these recommendations, such as recommendation #9, have been implemented, others, most notably #2 and #8, had not been implemented, and arose during our review as well.

## **C: Project Estimating**

Our review of the City's capital project management practices identified a number of issues and control deficiencies that had not been addressed as well as practices that could be enhanced. These issues included areas of cost estimation review and planning prior to approval and of inclusion of common and recurring obstacles in cost estimations.

### **1. Independent Review of Project Scope Cost Estimates**

**Finding** – There was no consistent independent review of initial project scope cost estimates and no consistent process for managing projects against original cost estimates.

**Recommendation** – All capital projects should have a comprehensive review of the scope of work by all affected City departments at least during the feasibility phase.

#### **Response:**

**We agree that comprehensive reviews of the scope of work should be completed before or during the feasibility phase of projects and will install procedures to ensure it occurs. Having said that, we also expect that estimated costs will change even after feasibility studies are conducted. There are many reasons that costs estimates are not static once projects are identified in the capital improvement program. Typically, projects are programmed before design occurs. Until designs are completed, project costs are very difficult to predict. Even after a design is completed, actual project costs are dependent on market conditions and commodity prices at the time of bid. Market conditions at the bid point are often very different from architect and engineering estimates during the design phase. After bid and during construction it is not uncommon to discover design errors/omissions, differing site conditions, and user requested changes. Design errors are usually rectified at no cost by the architect / design engineer and user requested changes are now reviewed, justified and approved by the user department head.**

**With respect to findings and recommendations of the 2012 review of the Animal Services facility, Public Works implemented several procedures including:**

- **Formal prequalification required for large complex projects**
- **Constructability reviews to identify omissions for large complex projects**
- **Change orders require authorization beyond the project manager**

## **2. Planning for Recurring Obstacles:**

**Finding** – Planning for capital projects did not sufficiently consider consistently recurring obstacles such as soil usability.

**Recommendation** – The City should compile a GIS map of previous capital project issues that can be used to identify potential change orders and costs on future projects.

### **Response:**

**We are concerned about the finding and agree that the regularity of obstacles concerning soil conditions and the presence of utilities is frequent enough that we should assume that such obstacles will be present during the planning and design phases. During design, geotechnical and sub-surface utility locating engineering studies are performed. If we assume conditions will be suboptimal, then we can include allowances in the site development plans to account for additional costs – such as removal and replacement of unsuitable material or longer pile lengths. However, we are not convinced that a GIS map is the solution; soil conditions are highly variable throughout the City. We agree with the need to maintain reliable records of soil conditions and utility locations and we agree that GIS mapping may be an appropriate tool. However, the recommendation does not address the fact that projects often occur in areas where the City has no recent experience of building or the existing infrastructure is so old that records simply do not exist. Since each project stands on its own we perform the necessary engineering studies to reduce the risk of differing site conditions.**

## **D. Other Operational Findings and Recommendations**

Our review of Capital Project Management Practices identified a number of other areas for improvement. These areas included creating a standard format for progress and status reports, and changing the entry level skills and experience requirements of the job classification Project Manager.

### **1. Standardized Citywide Reporting**

**Finding** – There was no established standardized capital projects summary report that could be used on a citywide basis. Additionally, the City did not consistently perform reviews of contractors' financial records to ensure that invoiced items agreed with contract terms.

**Recommendation** – The City should consider developing a citywide status report document for centralized capital projects reporting. The City should also take steps to ensure that project invoices are consistently reviewed against contract term requirements.

**Response:**

**We agree with the finding that standardized project reporting is important and should be implemented across all affected departments. Staff has been and continues to investigate affordable computer-based reporting tools that address reporting needs for capital projects. Representatives from the departments that are primarily involved with capital projects will meet to determine the appropriate format and content of project reporting along with how it will be prepared, distributed, and maintained.**

**2. Job Description**

**Finding – The citywide job description of Project Manager did not include an experience requirement related to successful completion of multi-million dollar projects.**

**Recommendation – The City should consider including a minimum budget range experience requirement or independent project manager certification for future project managers.**

**Response:**

**We agree that project managers require specialized training and that many projects are very complex and require experienced project managers. However, not all projects are large and complex and the City staff can handle routine, lower cost projects very capably. On large or complex facility and transportation projects the City now engages skilled Construction Management (CM) consulting firms to augment the City staff. City staff function then as the Owner’s Representatives while the CM firm coordinates the design firms and construction contractor’s activities. The cost of these additional Construction Management services is being added to the original project cost estimates. By using CM firms the City expands its ability to match the appropriate contract project manager with the complexity and scope of the project.**



## **A. SUMMARY**

### **AUDITS IN PROGRESS, TECHNICAL ASSISTANCE & TRAINING**



## **AUDITS IN PROGRESS, TECHNICAL ASSISTANCE, & TRAINING**

### **Audits in Progress**

Information Technology Department – As of August 4, 2014, we began fieldwork began in our audit of the Fire Department.

Public Utilities – As of July 31, 2015, we began preliminary fieldwork began in our audit of the Department of Public Utilities.

Citywide Overtime (Special Audit) – As of August 27, 2015, we began preliminary work in our audit of Citywide Capital Projects.

Citywide Grants (Special Audit) – As of August 27, 2015, we began preliminary work in our audit of Citywide Overtime.

### **Technical Assistance Projects**

Munis/Kronos – We are continuing to provide advice related to Munis and Kronos systems

Payroll – We are continuing to provide advice in the development of potential payroll cycle changes for City employees

I/T Modernization - We have provided advice on the City's IT modernization project.

PeopleSoft 9.2 Upgrade - We provided advice on the PeopleSoft 9.2 upgrade

Purchasing – We provided advice on the improvements in procurement processes

External Audit Contract - We have provided contract management for the external auditor contract. The results of the FY 2014 external audit were shared with the Audit Committee on November 25, 2014.

## **Training & Other**

### **July 2014**

Training - Staff completed various on-line continuing education exercises.

### **August 2014**

Training – One team member attended the ACFE/IIA Joint Summer meeting. Staff completed various on-line continuing education exercises. One staff member attended the Tidewater Chapter of the VA Society of CPAs seminar.

### **September 2014**

Training – One staff member attended the 2014 Annual Accounting and Auditing Day and the entire team attended the VLGAA Fall Conference. Staff completed various on-line continuing education exercises. We also attended the VLGAA Fall Conference.

### **October 2014**

Training – Staff attended the IIA Mid-Atlantic Conference and another attended the Virginia Society of Certified Public Accountants' Specialized Knowledge Day. Staff completed various on-line continuing education exercises.

### **November 2014**

Training – Staff attended the Association of Certified Fraud Examiners Anti-Fraud Workshop; and others participated in web based training.

### **December 2014**

Training – Staff completed various on-line continuing education exercises.

### **January 2015**

Training – Staff completed various on-line continuing education exercises. Staff also participated in the Institute of Internal Auditors Annual I/T and Tax Update Days.

## **February 2015**

Training – Staff completed various on-line continuing education exercises.

## **March 2015**

Training – Team members participated in various webinars for continuing education. One member attended the CAE Director Roundtable.

## **April 2015**

Training – The entire team attended the two day 2015 Annual Williamsburg Fraud Conference and completed various continuing education courses.

## **May 2015**

Training – The entire team attended the Cherry Bekaert Conference; and completed continuing education.

## **June 2015**

Training – One team member attended the ACFE Global Fraud Conference; and members participated in various webinars for continuing education.



## **C. FRAUD HOTLINE**

## **FRAUD, WASTE, AND ABUSE HOTLINE REPORT**

During Fiscal Year 2015 we received ten complaints through the City's Fraud, Waste, and Abuse Hotline (Hotline). The Hotline was created by the City in Fiscal Year 2006 utilizing the City's Customer Contact Center and its 382-CITY telephone number. In July of 2006, a State Law took effect that required the City Auditor to authenticate (i.e., evaluate the validity of) all complaints received on the Hotline and provide an annual report on the status of complaints received to the City Council. These complaints were as follows:

Complaint #1 – This complaint was related to allegations of a School employee receiving improper social services benefits. The affected department researched the matter and determined that the employee in question was not receiving any benefits at all. Therefore, this complaint was not authenticated.

Complaint #2 – This complaint was related to equipment that was held by the police department back in the 1980's. We provided the citizen complainant with information from a 1994 audit report that included an explanation of what may have happened to the equipment. Therefore, this complaint was not authenticated.

Complaint #3 – This complaint was related to allegations by a City employee that some overtime cost being incurred were unnecessary. We discussed the matter with the affected department and the director explained why he had requested the overtime work for the affected employees. Therefore, this complaint was not authenticated.

Complaint #4 – This complaint was related to trash dumped on vacant property. It was referred to Development and Permits, which indicated that the private owner of the property was responsible for the cleanup. Meanwhile, "No Dumping" signs have been placed on the property.

Complaint #5 – This complaint was related to allegations that a City employee was sleeping on the job in his truck. We followed the employee and truck on several different occasions but were not able to observe the alleged behavior. Therefore, this complaint was not authenticated.

Complaint #6 – This complaint was related to allegations that a City employee was commercially selling public information in the City system. Working with Information Technology, we determined that the employee was not accessing the information in question. Therefore, this complaint was not authenticated.

Complaint #7 – This complaint was related to allegations that a City employee sold an automated trash disposal can. The affected department contacted the citizen and discovered that the allegation was a one-time incident that dated back to 1993. Therefore, this complaint was not authenticated.

Complaint #8 – This complaint was related to home repairs and upgrades related to a property sale that had been completed without the required City permits. We explained to the citizen involved that, since no permits had been issued, they need to contact the prior owner to resolve the issue.

Complaint #9 – This complaint involved a nonspecific request that an employee be audited. While we were unable to authenticate that complaint, we plan to continue to monitor the situation.

Complaint #10 – This complaint was related to trash dumped on vacant property. It was also referred to Development and Permits.



**E. SUMMARY**

**TIME (HOURS) EXPENDED**

**JULY 1, 2014 TO June 30, 2015**



**YEAR TO DATE SUMMARY REPORT  
JULY 1, 2014 - JUNE 30, 2015**

**A. TIME (HRS) EXPENDED DURING FY 15 - COMPLETED PROJECTS**

**1. Audits & Analytical Reviews:**

Fire Department–Administration	177.50
Fire Department – Planning	762.75
Fire Department – Testwork	1019.25
Fire Department – Report	556.25
Police Department - Administration	37.00
Police Department – Planning	7.00
Police Department – Testwork	142.00
Police Department - Report	169.00
CIBH – Administration	149.50
CIBH – Planning	298.25
CIBH - Testwork	715.00
CIBH - Report	487.00
Citywide Capital Projects – Administration	191.50
Citywide Capital Projects – Planning	237.25
Citywide Capital Projects - Testwork	58.00
Citywide Capital Projects – Report	177.50

<b>Total Hours Audits &amp; Analytical Reviews</b>	<b>5,184.75</b>
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**2. Technical Assistance:**

Fraud Hotline	103.50
Public Procurement Taskforce Committee	2.00
Other/IT Modernization	1.00
Library Follow-up	4.00
Purchasing Follow-up	3.00
Peer Review-Prep	10.00
Kronos/Munis	3.00

<b>Total Hours Technical Assistance</b>	<b>126.50</b>
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<b>Total Hours – Completed Projects</b>	<b>5,331.25</b>
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## Time (HRS) Expended During FY 15 - Projects in Progress

### 1. Audits & Analytical Reviews:

Information Technology Department – Planning	9.50
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<b>Total Audits &amp; Analytical Reviews in Progress</b>	<b>9.50</b>
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### 2. Technical Assistance:

Kronos-Munis Payroll/HRIS Systems	8.00
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Computer Modernization	6.50
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PeopleSoft 9.2	28.50
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ECC	18.00
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Public Works Investigation	63.50
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Public Utilities	2.00
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Public Procurement Task Force Committee	2.00
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Audit Follow-Up	86.00
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Payroll Changes	6.50
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<b>Total Technical Assistance in Progress</b>	<b>221.00</b>
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### 3. Other:

Administrative	3,376.50
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Holiday	513.50
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Leave – Annual	624.00
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Leave – Sick	370.75
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Leave – OT	12.00
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Meetings	143.25
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Miscellaneous	285.25
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Professional Organizations	603.50
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Training	473.75
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Total Other in Progress	6,402.50
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<b>Total Hours for Projects in Progress</b>	<b><u>6,633.00</u></b>
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<b>Total Hours (Completed Projects + Projects in Progress)</b>	<b><u>11,964.25</u></b>
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