



AUDIT SERVICES DEPARTMENT

ANNUAL STATUS REPORT

JULY 1, 2017 THROUGH JUNE 30, 2018

DATE OF PREPARATION: DECEMBER 31, 2018

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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

December 31, 2018

The Honorable Rick W. West and
Members of the City Council
City of Chesapeake
City Hall-6th Floor
Chesapeake, Virginia 23320

Dear Mayor West and Members of the City Council:

Enclosed is the Audit Services Department's Annual Status Report for the period July 1, 2017 to June 30, 2018. The following is a summary of some of the report's highlights.

A. Completed Projects

1. Audits and Analytical Reviews

We completed a performance audit of the Public Works Department and a special audit of Citywide Succession Planning. These audits were conducted for the purpose of determining whether services were provided in an economical, efficient, and effective manner, whether the goals and objectives were being achieved, and compliance with applicable City and Departmental procedures. We also completed follow up reviews on audit reports issued in FY 2017. 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 a number of projects including Payroll Changes, the City Manager's Cluster Group, and Fleet Utilization. We also completed eight fraud hotline investigations.

3. Projects in Progress

Currently, we are working on performance audits of Parks, Recreation, and Tourism as well as Human Services, and special audits of City Payroll Cycles and Regional Position Comparisons for Selected Key Positions.

Sincerely

A handwritten signature in black ink that reads "Jay Poole". The signature is written in a cursive style with a long, sweeping tail on the letter "e".

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, 2017 TO JUNE30, 2018**

Table of Contents

<u>Contents</u>	<u>Page</u>
A. Summary – Audits and Analytical Reviews	1
Follow-up Review – Information Technology	5
Follow-up Review – Public Utilities	19
Follow-up Review – Citywide Overtime	39
Follow-up Review – Citywide Grants	49
Managerial Summaries:	57
Citywide Succession Planning	59
Public Works	63
B. Summary – Audits in Progress, Technical Assistance, and Training	77
Technical Assistance Projects	79
Training and Other	80
C. Fraud Hotline	83
Fraud, Waste, and Abuse Hotline Report	85
D. Time (Hours) Expended	87
Completed Projects	89
Projects in Progress	90
Other	90

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A. SUMMARY

AUDITS & ANALYTICAL REVIEWS

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**Audit Services Department
306 Cedar Road
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December 29, 2018

The Honorable Rick W. West, and
Members of the City Council
City of Chesapeake
City Hall--6th Floor
Chesapeake, Virginia 23328

Dear Mayor West and Members of the City Council:

We have completed our follow-up of the Department of Information Technology, Public Utilities Department, Citywide Overtime, and Citywide Grants for Fiscal Year 2018. These prior year audits were selected to evaluate the status of recommendations that had not been fully implemented. The reviews were conducted in December 2017. The status of 27 open recommendations from these reports was as follows:

 6 had been implemented
 10 were in the process of being implemented
 11 were planned but not yet implemented
 were 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

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FOLLOW-UP REVIEW

INFORMATION TECHNOLOGY

PERFORMANCE AUDIT

REPORT ISSUE DATE: AUGUST 2016

FOLLOW-UP REVIEW DATE: DECEMBER 2017

CITY OF CHESAPEAKE, VIRGINIA
AUDIT SERVICES DEPARTMENT

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**Audit Services Department
306 Cedar Road
Post Office Box 15225
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September 29, 2018

The Honorable Rick W. West and
Members of the City Council
City of Chesapeake
City Hall--6th Floor
Chesapeake, Virginia 23328

Dear Mayor West, and Members of the City Council,

We have completed our follow-up review of the Information Technology Department. The review was conducted in December 2017. As of that date, the status of the report's nine open recommendations was as follows:

- ___ had been implemented
- ___ was in the process of being implemented
- 9 was planned but not yet implemented
- ___ 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

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FOLLOW-UP REPORT
INFORMATION TECHNOLOGY DEPARTMENT
PERFORMANCE AUDIT

December 2017

Table of Contents

<u>Contents</u>	<u>Page</u>
C1 DIT Governance Challenges, Legacy Systems & Modernization	11
C2 Access Control and the Active Directory	11
D1 IT Aspects of Business Continuity and Disaster Recovery	12
D2 PeopleSoft Financial Issues	13
D3 Public Safety and the New World System	13
D4 911 Statistical Call Data	14
D5 Heat Ticketing System, Help Desk & Operations	15
D6 DIT Staffing Challenges	16
D7 DIT Self-Assessment Using COBIT 5 Model	16

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C1. DIT Governance Challenges, Legacy Systems Issues, and the DIT Modernization Project

Finding - The City did not have an IT Steering Committee and a Citywide IT Governance Policy to ensure cohesive ERP solutions for its financial systems resulting in long-term challenges for DIT.

Recommendation – The City should adopt a Citywide Governance Policy.

Response - DIT agrees with the audit recommendation that it is in the best interest of the City to reduce the footprint of ERP systems currently in use by the City. Gartner describes this consolidation trend in the industry as a post-modern ERP approach whereby the end result is less complexity regarding interfaces, integrations, and synchronization of data coupling with much more agility and adaptability at a lower cost than it otherwise would be if the City continues along the current path. This also gives the City the opportunity to introduce innovative business processes to take advantage of faster more efficient ways of conducting business in a more transparent, collaborative, and measureable manner going forward.

As for the governance policy, DIT will work along with the City Manager's office to ensure the key stakeholder enterprise business units such as Real Estate, Planning, Public Utilities, Public Works, Public Safety, and the constitutional officers are on board with the new governance process. In order for the City of Chesapeake to operate at a high level of efficiency and cost effectiveness while being properly aligned with stated City priorities it is necessary to establish a project governance mechanism for approval of all projects greater than \$100,000 or where it is determined the impact of the project has sufficient enterprise impact that it warrants governance review. (Note: The full text of the response is included in the audit report).

2018 Status – This recommendation is in the process of being implemented. DIT collaborated with the City Manager's office in establishing the Business Technology Steering Committee. The mission of the committee is to provide a project governance mechanism for high-dollar and high-impact projects. The Committee is currently working with Gartner to devise a strategy for the City's Enterprise Applications (including ERP solutions and financial systems). DIT will continue to work with the City Manager's office to improve IT Governance.

C2. Access Control and the Active Directory

Finding - The City did not have an Administrative Regulation requiring the Human Resources Department (HR) to promptly notify DIT of new hires, and changes in employees' status. This resulted in DIT's untimely disabling of active directories for some employees and volunteers who were no longer working for the City.

Recommendation - The City should develop an Administrative Regulation requiring HR to promptly notify DIT of new hires, and changes in employees' status.

Response - DIT agrees with the audit findings and will revamp the draft policy attached in the overall audit report to include clear directives for each department working with Human Resources to provide timely and accurate information to address this issue. With the new help desk service desk application being implemented with IT Service Management (ITSM), we will be able to automate workflows that will help enforce the pending policy. (Note: The full text of the response is included in the audit report).

2018 Status – This recommendation is in the process of being implemented. DIT continues to work with HR to improve employee onboarding and offboarding practices. DIT is implementing a new Information Technology Service Management (ITSM) solution which will improve these processes. We do not believe an AR is necessary at this time.

D1. Information Technology Aspects of Business Continuity Management and Disaster Recovery

Finding - Backup tapes generated from DIT’s private cloud were temporarily stored at the secondary data center. They were then transported based on the application owner’s retention requirements to the vault in the City’s municipal center, less than 400 feet away from the City’s DIT center. Also, the PeopleSoft Financial System had not been archived which caused delays in processing data tables that had been kept open since the system was implemented in 2005.

Recommendation – The Finance Department should work with DIT to develop a plan for archiving PeopleSoft financial systems and records.

Response - DIT agrees with the audit’s recommendation. The new Public Safety Operations Building (PSOB) will become a dual data center with active-active network capability to address disaster recovery and business continuity. In fact, the model is already implemented within a limited scope by utilizing the city’s private cloud to capture and store backups that are designed with DIT’s active-active network architecture state.

Finance archiving: DIT will continue to work with the City’s school and the City’s Finance department to address this issue. Without a proper archiving agreement and tool in place, PeopleSoft records will continue to grow thus eventually impacting timely access to data and impeding speedy recovery to data within a reasonable window from a disaster.

2018 Status - This recommendation is in the process of being implemented. DIT’s current backup procedures actively replicate data in both data centers operated by the City for disaster recovery purposes. With regards to the PeopleSoft records, the current size is not materially impacting daily operations. DIT will continue to monitor performance and explore long-term archiving options if it becomes necessary.

D2. PeopleSoft Financial Issues

Finding - The PeopleSoft Financial System was purchased but not fully implemented due to budget constraints, resulting in the City paying maintenance fees for software modules that were not being used. In addition, unused modules were supplemented with additional systems creating a need for integration, which increased complexity and decreased efficiency.

Recommendation – DIT should continue to evaluate future enterprise application replacements, and consider whether it is in the City’s best interest to continue to expand the City’s PeopleSoft ERP footprint, use alternative applications, or consider other technologies such as cloud computing (SaaS).

Response - DIT agrees with the audit recommendation. In fact, the formal governance adoption as outlined in issue #1 is a forerunner to resolving this issue. The Department of Information Technology (DIT) will be following the Gartner strategic roadmap to address the following:

- **Enable innovation to take place**
- **Allow for the exploration and discovery of functions, business processes, and technologies**
- **Provide innovative solutions with improved, well-defined, and measurable outcomes**

(Note: The full text of the response is included in the audit report).

2018 Status – This recommendation is in the process of being implemented. Gartner is currently working with the City to define a strategic roadmap for enterprise applications.

D3. Public Safety and the New World System

Finding - For the most part, the Public Safety Departments was satisfied with the state of information technology in the City and progress was being made daily. However, there was a need to replace the Shadow IT staff that supported the Fire Department with DIT personnel.

Recommendation – DIT should continue ongoing efforts with the New World Implementation.

Response - DIT agrees with the audit recommendation. New World conducted a second round of training for Fire and Police staff that remedied several issues. The new fire alerting system is already included in the future capital request.

2018 Status – This recommendation has been partially implemented. DIT hired a System Analyst II in FY18 as recommended. A request to hire the recommended System Analyst I is in the proposed FY19 budget.

D4. 911 Statistical Call Data

Finding – Statistical call data from the Aurora Cassidian system showed an increasing trend of unanswered 911 calls in 2015 due to staffing shortages for Emergency Communications Dispatchers.

Recommendation – The City should take steps to address Emergency Communications staffing shortages to reduce the number of unanswered calls.

Response – (from the Chief of Police) **I have reviewed the audit report and concur with the findings. It should be noted that some of the concerns identified by the audit are being addressed through prior, existing, and future budgets. In order of priorities of the items that are left unsettled are: 1.) increased staffing; and 2.) salaries. In addressing staffing, we have expanded our recruiting efforts and are presently exploring additional methods to reach people who desire to and can perform these essential functions, including partnering with Tidewater Community College to develop work-force solutions to help us recruit and retain dispatchers. However, these efforts can prove to be ineffective if we cannot offer competitive salaries; therefore, I will be requesting Human Resources to conduct a pay and compensation study. (Note: The full text of the response is included in the audit report).**

2018 Status – This recommendation is in the process of being implemented. At this time, there are 13 Dispatcher I vacancies, and a hiring process for a Basic Dispatch Academy projected to start May/early June 2018 is in progress. We have been approved for over-hires and plan to hire 15 candidates. Though we have shown declines in required (vs. voluntary) overtime, long shifts and compelled work on days off contribute to attrition. In the last year, four DIs in various stages of training left the PSEC Unit for other positions within the Department: Police Officer Trainee (one) and VCIN Office System Specialist I (three). Our greatest competition to retain seasoned personnel remains Navy Region Mid-Atlantic Communications Center which has hired fourteen PSEC Unit members ranging in rank from DI through DIII since March 2015. The experience lost in these departures ranges from one to fifteen years. Still expanding their staff by consolidating military dispatching, the Navy will continue to attract our experienced personnel by hiring at the GS-6 pay grade (\$37,223) with a guaranteed increase to GS-7 (\$41,365) in one year and published step increases thereafter. Though debatable, some employees have reported better health care coverage and related options in the federal system.

The results of a compensation study conducted in the Fall of 2016 provided 5% increases for Dispatcher I, Dispatcher III, and Dispatch Supervisor positions. Dispatcher IIs received a 10% increase, and Dispatch Call Takers were not adjusted. While the increases were helpful,

the study only compared local municipal dispatch centers and did not include Navy Region Mid-Atlantic as a comparator despite its direct impact on our retention. We also eliminated the Dispatcher Trainee position so that all new hires receive Dispatcher I pay (\$34,934) upon hire. Our overall retention for calendar year 2017 was 80%. Challenges with retention and staffing translate to longer 911 queue times and abandoned 911 calls which require 100% call-back. With the VCIN/NCIC Unit expansion, we expanded 911 call answering at the PD-Investigations console from six to twenty-four hours per day to reduce 911 queue times. We anticipate decreases in 911 queue times as we release retained trainees to solo status.

Since October 2016, we have employed a qualitative approach to on-the-job training that no longer uses a fixed number of required hours per console. Now, once the trainee, trainer, and squad supervisor concur that the trainee is competent and confident on a console, they move to the next position. With the upcoming academy, we anticipate having 13-15 trainees in the new center in addition to ten trainees from the last class. Two Dispatch Call Takers and six Dispatcher IIIs already assist our fifteen Dispatcher IIs with training duties and will continue in this regard until we get much closer to full staffing. For calendar year 2017, we retained 12 of 14 trainees or 85%.

The PSEC Unit is recruiting alongside the Police Recruiter at job fairs held at high schools, colleges, and military bases. PSEC and HR are in the design phase of a workforce development program through Tidewater Community College with the goal of effectively recruiting, training, and pre-qualifying students for a career in public safety telecommunications.

As we get closer to full staffing and the release of Dispatcher Is from training to full solo operation, overtime will decline proportionally and positively affect retention and 911 queue times. We have seen improvements in organizational climate which will be bolstered by our much anticipated move to the new PSOB next month. Last month, we hosted an open house at the PSOB for PSEC staff and their families, and the aesthetics of the new center received excellent reviews.

D5. Heat Ticketing System, the Help Desk, and Operations

Finding - DIT was working with a HEAT Ticketing System that no longer served the City's needs.

Recommendation – DIT should continue the system update.

Response - DIT agrees with the audit recommendation. DIT is in the final stages of selecting the vendor for the new Help Desk service tool. (Note: The full text of the response is included in the audit report).

2018 Status – This recommendation is in the process of being implemented. DIT selected Cherwell as the new Information Technology Service Management (ITSM) tool to replace the

HEAT system. We are in the final design phase with implementation projected to begin by April 2018.

D6. DIT Staffing Challenges

Finding - There were City employees performing IT functions (referred to as Shadow IT) that were not a part of DIT. However, DIT did not have sufficient staff to support the all of the City's DIT systems and infrastructure. Thus, the entire comprehensive view of technology support within the City was obscured.

Recommendation - The City should consider bringing DIT staff assigned to other departments under the direct supervision of DIT.

Response - **DIT concurs with the audit findings. DIT is currently in discussion with the Fire Administration staff to determine the duplicate IT efforts. DIT has an extremely successful enterprise IT agreement with Public Safety and will continue to evaluate and make recommendation for technical resources as needed. (Note: The full text of the response is included in the audit report).**

2018 Status – This recommendation is in the process of being implemented. DIT acknowledges its staffing challenges. There are no quick fixes. DIT will continue to work with City leadership to resolve the staffing and shadow IT concerns.

D7. DIT Self-Assessment Using COBIT 5 Model

Finding – In 2015 DIT completed a COBIT¹ 5.0 self-assessment. This self-assessment found that the DIT as, on average, an “immature” department and that their systems and processes needed substantial growth to reach what would be considered an optimal level of performance.

Recommendation - DIT should continue to improve its' process and procedures in order to move from its' immature state to that of full innovation and optimization. We also recommend that DIT continue to perform its Self-Assessment annually to monitor the maturity levels of DIT processes overall.

Response - **We will begin with the ITIL structure to address many of these issues addressed in this audit.**

Response - DIT agrees with the audit recommendation. In fact, the formal governance adoption as outlined in issue #1 is a forerunner to resolving this issue. The Department of Information Technology (DIT) will be following the Gartner strategic roadmap to address the following:

- **Enable innovation to take place**
- **Allow for the exploration and discovery of functions, business processes, and technologies**
- **Provide innovative solutions with improved, well-defined, and measurable outcomes**

(Note: The full text of the response is included in the audit report).

2018 Status – This recommendation is in the process of being implemented. DIT is continuing its efforts to improve our processes and procedures and benchmark performance. This will be an ongoing effort.

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FOLLOW-UP REVIEW

PUBLIC UTILITIES

REPORT ISSUE DATE: AUGUST 2016

FOLLOW-UP REVIEW DATE: NOVEMBER 2017

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

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**Audit Services Department
306 Cedar Road
Post Office Box 15225
Chesapeake, Virginia 23328-5225
(757) 382-8511
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March 30, 2018

The Honorable Rick W. West and
Members of the City Council
City of Chesapeake
City Hall--6th Floor
Chesapeake, Virginia 23328

Dear Mayor West, and Members of the City Council,

We have completed our follow-up review of the Public Utilities Department. The review was conducted in September 2017. As of that date, the status of the report's 15 open recommendation was as follows:

- 5 had been implemented
- 9 was in the process of being implemented
- 1 was planned but not yet implemented
- 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

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FOLLOW-UP REPORT
PUBLIC UTILITIES
PERFORMANCE AUDIT
December 2018

Table of Contents

<u>Contents</u>	<u>Page</u>
C1 Pro Rata Engineering	25
C2 Pro Rata Accounting	27
D1 Aging Meters	28
D2 Large Meter Testing	29
D3 Meter Tracking	30
D4 Inventory Process	30
D5 Data Entry	31
D6 Work Orders	31
D7 GIS	32
D8 Warehouse Conditions	33
E1 CIS Reconciliation	34
F1 Billing	34
F2 Cash Handling and Settlement	34
G1 Nuisance Birds	36
H1 Contracts	37

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C1. Pro Rata Engineering

Finding - The process in place for the handling of pro rata development projects was inefficient, labor intensive, and time consuming. The engineering staffing levels were not sufficient to handle the volume of pro rata projects approved by PU. In addition, pro rata projects were not a priority for PU Engineering. Therefore there was a lack of management review, monitoring, and oversight over these projects for many years. Further, pro rata policies and procedures lacked sufficient detailed information for the handling of pro rata projects and had not been substantially updated since the inception of the program.

Recommendation – The Engineering Division should strongly consider reevaluating their process for handling pro rata projects. The pro rata calculation process should be streamlined to become less time consuming. In addition, Engineering should provide additional oversight and monitoring over pro rata projects. Further, policies and procedures should be updated.

Response - As a result of internal actions relating to the pro-rata program, working with the City Attorney's office, DPU staff committed in 2015 to fully evaluating and modifying the pro-rata program. It was recognized at that time that:

- the engineering portion of the process was very labor intensive and time consuming;
- there was insufficient involvement from DPU's Accounting staff;
- the program had become difficult, if not impossible, to properly manage as it was currently structured; and
- the program objectives are excellent, it is the mechanisms that need to be modified.

As a result of this realization, I specifically requested the Internal Audit team conduct a thorough review of the pro-rata program in our opening meeting. Having now received the evaluation from the Auditor, DPU is working on proposed revisions to the pro rata policy and procedure. Pro-rata is a City Council policy, and any changes must be formally approved by the City Council. The procedure may be revised by the DPU Director. (Note: The full text of the response is included in the audit report.)

2018 Status – This recommendation is in the process of being implemented. The pro rata process is becoming more efficient, effective and relevant. Just as the decline occurred over time, the renovation involves effort over several years.

Progress for calendar year 2017 follows:

- A standardized spreadsheet for use in performing pro rata calculations was developed by a consultant, CDM-Smith. The spreadsheet pulls data from the GIS database.
- The consultant is also developing a database of cost of infrastructure to be used for pro rata calculations. The database tracks costs for standard items of infrastructure installed from the inception of the Pro Rata Program (1984) to current. Going forward, the database will be updated with actual costs from initial developer projects, so that it remains relevant. Because the database is developed from verified historical costs, it's valid for use when pro rata calculations are needed, and the initial developer has not provided full cost documentation.

- For determination of subsequent developer pro rata responsibility, DPU has shifted away from using paper maps in over two hundred red folders, to using the existing GIS database to define initial developer pro rata service areas. A few mouse clicks accomplishes a task that once relied on engineers' memories and laborious research. Recent retirements accentuated the problem.
- An Engineer II position was added with primary responsibility for pro rata. The tasks of calculation of subsequent and initial developer pro rata amounts was shifted away from several engineers to one. Formerly, the development review engineers viewed pro rata as an unpleasant chore amongst their many duties. The pro rata engineer is trained in standard practices for evaluating projects for pro rata participation, enhancing consistency.
- The pro rata policy & procedure are being reviewed and updated. The updated documents will be reviewed by the City Attorney, Development & Permits, Planning, Audit, Finance and other relevant City departments prior to implementation. The updated policy & procedure is scheduled for implementation by July 1, 2018. A standard practices (new, internal) document is also being prepared to accompany the procedure. This document will make preparation of pro rata calculation packages more consistent, facilitating efficient review. The most significant policy changes will push key developer pro rata decisions to a much earlier point in the City's development review process. DPU will also provide estimated pro rata amounts much earlier in the development process.
- The City's Master Water and Sewer Plans are being updated, as these plans drive the pro rata eligible improvements installed by developers.
- The DPU Accounting division much more involved in the Pro Rata Program. The Accounting & Engineering administrators review pro rata reimbursement requests, which duty will soon pass to the Accountant and Engineer hired to administer pro rata.
- One joint database (MS Access) is being developed to track initial developer pro rata calculations, initial developer reimbursement eligibility, subsequent developer pro rata owed, collections and reimbursements. The database will be managed jointly by Accounting and Engineering. The database will enhance accountability and auditability. When fully developed and populated with data, it will greatly enhance DPU's calculation of pro rata amounts.
- A standard report from the Accela permitting/ connection fee database is being used monthly to track connection fees collected for initial developer pro rata projects, for which connection fee reimbursement was selected. The report is noted for some changes to improve its utility for designating connection fees to the correct account, and identifying the initial developer.

C2. Pro Rata Accounting

Finding - PU revenue reflected on the City's Comprehensive Annual Financial Report (CAFR) had been overstated and liabilities understated for numerous years. Subsidiary records for pro rata projects had not been kept up to date and had not been reconciled to the general ledger. Also, the Accounting Division did not have a complete understanding of the pro rata project process. Communication between the Engineering and Accounting Divisions was limited even though the divisions were dependent on each other to ensure proper accounting for pro rata projects. Further, accounting policies and procedures for the handling of pro rata payments and disbursements needed to be updated.

Recommendation – Incoming pro rata payments should be posted to liability accounts verses revenue accounts. Subsidiary records should be kept up to date and be periodically reconciled to the general ledger. The Accounting Division should have a complete understanding of the pro rata process. The lines of communication between the Accounting and Engineering divisions should remain open at all times. In addition, pro rata policies and procedures for the Accounting Division should be updated and followed.

Response - PU Engineering and Accounting have worked together a great deal to increase the combined teams' understanding of the pro rata process. Whereas Accounting was minimally involved in the program since its inception, that has changed, and they are now integrally involved in the process. (Note: The full text of the response is included in the audit report.)

2018 Status – This recommendation is in the process of being implemented. As a result of audit findings, DPU hired a Pro Rata Accountant II and a Pro Rata Engineer II during FY2016-17. As part of onboarding these two individuals, open communication is promoted and has improved greatly. These two individuals along with other DPU Accounting and Engineering staff have met on a regular basis to discuss and implement improvements to DPU's Pro Rata policies and procedures. Staff have had meetings with City's designated Accela POC and Accela Programmers to recommend improvements to Accela to incorporate Pro Rata functionality. These improvements are being tested and will be implemented during FY18. Staff are creating a Pro Rata Access database that will be utilized by both the Accounting and Engineering departments.

The Pro Rata Access database is being created to ensure information is open and available between Accounting and Engineering. The intent is to contain information that had been traditionally stored in what was called the Engineering "red folders" and several Accounting general ledger reconciliation spreadsheets. It will also contain the following:

- Accounting – Reimbursement to Initial Developers
- Accounting – Payments from Subsequent Developments
- Accounting – Connection Fees received
- Engineering – Historical Cost information
- Engineering – Pro Rata Calculations
- Accounting/Engineering – Initial Developer Agreement details
- Accounting/Engineering – Initial Developer information

D. Maintenance and Operations (M&O)

Our review of the M&O Division noted that the water meter section of the M&O Division had not tested all large meters once each year as required. Also, water meters over 15 years old had not been replaced as recommended. In addition, refurbished meters were not being returned into Maximo inventory records after repairs were completed. Further, documented policies and procedures were lacking in all three of the areas addressed. The underlying cause for meter testing and replacement not being performed as required was insufficient staffing.

D1. Aging Meters

Finding – The M&O Division had not replaced all aging residential (5/8” to 2”) water meters which were over fifteen (15) years old as recommended. In addition, the fifteen (15) year guideline was not documented in the division’s policy and procedures.

Recommendation – PU should develop and implement a realistic residential meter replacement program. Additionally, PU should consult with Human Resources to evaluate the cause of the continual vacant positions in the Water Service Section of the M&O Division and develop a plan to mitigate the continual vacancy issue. Further, meter replacement policies and procedures need to be documented.

Response - Public Utilities concurs on the need for a realistic residential water meter replacement program and such documented policies and procedures. Public Utilities is requesting several additional positions over the next three year budget cycle to assist with the meter replacement program. As resources become available, PU will continue to replace broken water meters and those over 25 years old as first priorities. Expansion of the Automatic Meter Reading (AMR) program throughout the City may also dictate the order in which meters are replaced. (Note: The full text of the response is included in the audit report.)

2018 Status – This recommendation is in the process of being implemented. Meters are being changed but not at an aggressive rate, as desired. The department has a reorganization plan in place which moves the personnel from the meter shop into the Customer Service section to better align similar services. The resulting efficiency gains from the reorganization should allow for a more robust meter change-out program.

In addition, numerous meetings with Automatic Meter Reading (AMR) / Advanced Metering Infrastructure (AMI) suppliers/vendors have been ongoing over the past three months to facilitate management’s decisions with regard to implementation of electronic metering. The project currently has approximately \$1.3M in funding with additional funding of \$4M in FY21, \$4M in FY22, and \$4M in FY23. This capital project will likely replace nearly 100% of the residential and many of the non-residential meters.

D2. Large Meter Testing

Finding – The M&O Division had not consistently performed annual testing of large (3” to 10”) water meters. In addition, the annual testing process was not documented in the division’s policy and procedures.

Recommendation – PU should develop and implement a large meter testing program that can be accomplished with the staffing level of the Water Service section. Additionally, the Department should consult with Human Resources to evaluate the cause of the continual vacant positions in the Water Service Section and develop a plan to mitigate this issue. Further, large meter testing policies and procedures need to be documented.

Response – **Currently Public Utilities has over 800 large meters (> 2”) that are tested by two staff members in Water Services. These two staff members also perform other duties including large meters repairs, register or touchpad repairs, 1½” - 2” meter change-outs, special meter tests, and numerous large meter re-reads. With current staffing, and as commercial development continues to grow, PU will be unable to meet the goal of testing large meters annually. Public Utilities is requesting an additional two positions over the next three year budget cycle specifically to assist with large meter testing. To annually test approximately 800 large water meters, two 2 man crews would be needed. (Note: The full text of the response is included in the audit report.)**

2018 Status – This recommendation is in the process of being implemented. Large meter testing is still being performed. Appropriate documentation of those tests are being kept; however, we are not meeting annual testing schedules, as preferred, due to numerous work orders received on a monthly basis that detract from the meter testing function.

The department has a reorganization plan in place which moves personnel from the meter shop into the Customer Service section to better align similar services. The resulting efficiency gains from the reorganization should allow for an accelerated large meter testing program. While the Water Services section follows AWWA procedures for large meter testing, they have not yet developed their own policy and procedure for large meter testing. After the reorganization, the section’s policies and procedures will undergo a thorough review and update as needed

D3. Meter Tracking

Finding – The Meter Shop did not have written procedures for tracking new and refurbished meters.

Recommendation – The Meter Shop should develop written procedures for tracking new and refurbished meters.

Response – PU currently does not have a specific written procedure for tracking meters, but meters are tracked. All new meters purchased by the City are entered into the Customer Information System (CIS), which maintains the key meter information by individual meter number. The physical location of meters are also documented within CIS, as well as the meter number tied to that location. Large batch purchases are entered into CIS by the IT department. Meter purchases for meter sizes larger than residential meters are entered manually in CIS by the Meter Shop Supervisor. Maximo, which is used for work orders, contains meter location and number, but requires a search by address, as meter information in Maximo is not updated due to limited staffing and the fact that it is not absolutely necessary.

(Note: The full text of the response is included in the audit report.)

2018 Status – This recommendation is in the process of being implemented. Maximo is used to track meters for inventory purposes only. Meter locations are tracked within the City’s CIS system. All meters, new or used, are now entered into CIS by the Meter Shop Supervisor, IT, or Customer service. All three have the capability to do this within CIS.

After the reorganization, the section’s policies and procedures will undergo a thorough review and update as needed.

D4. Inventory Process

Finding – PU’s inventory process was cumbersome, lacked adequate segregation of functions, and inventory counts in Maximo were not always accurate.

Recommendation – PU should take steps to streamline inventory processes, improve segregation of functions, and improve inventory accuracy.

Response - In March 2016, PU added a new Accountant I position to compliment staff, specifically to improve the separation of duties with M&O purchasing and warehousing functions. The position has been filled and the selected candidate works at the M&O facility adjacent to the storeroom and yard storage areas. A Separation of Duties matrix was developed and initiated in late March 2016 to differentiate storeroom and accounting responsibilities. (Note: The full text of the response is included in the audit report.)

2018 Status – This recommendation has been implemented. The Accountant I’s presence has significantly raised the awareness of inadequate inventory and purchasing practices that have occurred in the past. With the addition of this position on staff, the Division has improved greatly on our fiscal, purchasing and accounting methods. There has been some staff opposition and unwillingness to cooperate with some of the changes; however, measures are in place to restrict this in 2018.

D5. Data Entry

Finding – The Water Services and Water Distribution Superintendents spent significant time performing data entry work.

Recommendation – PU should take steps to reduce the time necessary for performing data entry work.

Response - A new Data Control Tech II position for data entry is proposed in the FY18 budget cycle. So far, other operational needs have outweighed the needs for the data entry position. Other changes have been made with existing personnel to reduce the burden on the superintendents. A meter technician position was converted to an Office Assistant I, who performs significant data entry. Additionally, Crew Leaders and General Supervisors have been equipped with field laptops with data connections to be used in the field to input information into the Maximo asset management system. (Note: The full text of the response is included in the audit report.)

2018 Status – This recommendation is in the process of being implemented. A Data Control Technician II position has been requested in the FY19 budget cycle. The addition of a Data Control Tech II will provide the necessary data entry support to superintendents and work section supervisors for working in Maximo & CIS systems. This will allow the superintendents & supervisors to focus on field and management tasks in lieu of data entry. This new position will assist in increasing daily productivity and will assure the work sections are working more efficiently, ultimately providing better service to the customers.

D6. Work Orders

Finding – PU's Water Service did not utilize Maximo to track all elements of work order completion.

Recommendation – PU should contact Public Works and Information Technology to determine whether the “workaround” solution they were using could be used by the Water Service.

Response - Public Utilities Water Service section does not utilize all the functionality of Maximo with regard to tracking temporary employee time for work orders. Although this information is helpful, it is not critical unless we are performing a job for which we will send an invoice for reimbursement. With very limited staff (currently 8 vacancies), tracking this information for non-bill jobs is not worth the time it takes. (Note: The full text of the response is included in the audit report.)

2018 Status – This recommendation is planned but not yet implemented. Due to the high turnover with temporary employees, we have not yet implemented a solution for tracking temporary employees' time on Maximo work orders. A lot of paperwork is involved getting temps into Maximo, then removing them, having the director sign off on the paperwork, etc.

This data also takes up unnecessary space on the servers by having so many different names in Maximo. It is being considered to have temps listed with a number on Maximo work orders instead of utilizing their names (e.g., Temp 1, Temp 2, Temp 3, etc.).

The best solution to the overall problem is to fill the full time positions and eliminate the use of temporary staff. We are working diligently to hire City employees, and we are making significant headway. The current department vacancy rate is down to 11%.

D7. GIS

Finding – PU was not optimizing its use of GIS to consistently record reliable and complete information of the water distribution piping and components.

Recommendation – PU should optimize its use of GIS to consistently record reliable and complete information of the water distribution piping and components.

Response - While we do not currently use our GIS system to its full capacity, we are making progress on getting our data more up to date in the GIS. This will start with getting accurate GPS data (6 inch accuracy) for all surface hardware- manholes, fire hydrants, meter boxes, cleanouts, valves, etc. This will provide a 90% solution for the physical location of all of our buried assets, excluding depth information. To facilitate this process, we purchased one field GPS units this year and plan to purchase one more in FY17 to capture more data. This effort involves GPS'ing more than 150,000 unique surface assets; this is a 20-year data gathering effort. (Note: The full text of the response is included in the audit report.)

2018 Status – This recommendation is in the process of being implemented. An Engineering Technician I has been requested in the FY19 budget. The primary function of this new position will be to locate each asset (e.g., manholes, fire hydrants, meter boxes, cleanouts, valves, etc.) into the City's GIS system.

D8. Warehouse Conditions

Finding – Physical conditions at the PU warehouse and outside storage area needed improvement.

Recommendation – PU should work with Facilities Management to make necessary repairs.

Response – A new combined Public Works (PW) Public Utilities Operations facility has been planned for several years. Because it has been in and out of the planning and design phases, it has not seemed prudent to spend funds maintaining facilities that will soon be razed and removed. As a result, only minimal funds have been spent maintaining the physical features at the M&O facility on Executive Drive. While the new facility location is being determined, PU will work with Facilities Management to make suggested essential repairs. (Note: The full text of the response is included in the audit report.)

2018 Status – This recommendation has been implemented.

The following improvements have been made to the storeroom and outside storage area:

- Suspected mold removed from storeroom
- New shelving installed
- Security cameras installed in yard to help mitigate material loss

E. Customer Information System (CIS)

We noted that reconciling differences between PU's Customer Information system and the Hampton Roads Sanitation District system were not researched and cleared in a timely fashion. Thus, the accuracy of some customer accounts was placed at risk.

E1. CIS Reconciliation

Finding – Reconciling differences between the Customer Information System (CIS) and the Hampton Roads District system (HRSD) were not researched and cleared in a timely manner.

Recommendation – The CIS and HRSD systems should be reconciled daily and all reconciling items be researched and cleared in a timely manner.

Response - The issues cited for the audit have been resolved, and systems established to ensure that any future issues are quickly identified. CIS and HRSD systems are reconciled daily and any differences are identified, researched, and cleared in a timely manner. The PU IT Systems Analyst is much more comfortable with the system, and Accounting and Customer Service are working together when problems are identified. We have established a much better understanding of each of our software systems, the interfaces between them, and the interaction required between departmental teams.

2018 Status – This recommendation has been implemented. Collaboratively, this process continues to be achieved in a timely fashion.

F. Customer Service – Cash & Settlement - Billing

Customer billing experienced a significant backlog during 2015, resulting initially in skipped bills and later in enlarged bills to customers. Also cash handling and settlement procedures needed to be enhanced.

F1. Billing

Finding – Customer billing was behind by over 2,500 service orders for several months during 2015. This created multiple instances where customers’ bills were skipped and then “caught up” by being billed for four months on their next cycle.

Recommendation – PU should ensure that service orders, “rereads,” and other exceptions are handled in as expeditious a manner as possible.

Response - The difference between the number of Tab Rereads (internally generated) and the reported 2,500 open service orders may be from two separate reports. The numbers are measuring different things. There is a Smartlist (CIS generated report) that identifies the total number of open service orders in CIS. This includes customer requested rereads, Tab Rereads, and all other types of service orders. This report has exceeded 2,500 open service orders that the division is placing great emphasis in completing. (Note: The full text of the response is included in the audit report.)

2018 Status – This recommendation is in the process of being implemented. We continue to make-up ground in this area daily. Currently, the total number of open service orders remaining is 1,631. This existing backlog of service orders does not have billing impact. Staff will continue to review and close on average 25-50 service orders monthly in conjunction with normal duties. The service order function is under control.

F2. Cash Handling and Settlement

Finding - The cashiering process in place for PU Customer Service was inefficient and was not designed to promote good customer service. In addition, 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 needs to be enhanced.

Recommendation – PU Customer Service should develop and document cash handling, cash settlement and petty cash processes so that cash is adequately safeguarded. In addition, PU customer service should develop an ongoing oversight and monitoring process to ensure adherence to cash handling and cash control procedures.

Response - During this review period we have taken steps to increase our internal controls. Acknowledgment of this concern was evident when the decision was made to add a position to this area in customer service. In October 2015, we hired a former bank manager to further drive changes needed to our internal controls. Since her arrival, we have made many changes. (Note: The full text of the response is included in the audit report.)

2018 Status – This recommendation has been implemented. Cash Handling and Settlement outlined below:

- **\$200 Change Drawer**
 - daily reconciliation of change fund is current
 - monthly reconciliations by Accounting is current
 - only accessible by Mildred and Earl
- **Safe**
 - new safe purchased in 2016 with digital lock and night drop bin
 - combination is divided in two parts as recommended
 - log is signed by both parties opening safe
 - safe is bolted to the floor
 - safe combination gets updated after departure of any person with a portion of combination.
- **Meter Test**
 - currently we still hold the customer's \$25 deposit until the meter test process is complete
 - log kept of the meter test received and reviewed monthly to ensure they are closed out
 - we reviewed the impact of processing the \$25 check when received and refunding \$25 depending on results of meter test; however, we have chosen to not pursue this action due to the necessity of a W-9 and PeopleSoft processing could delay reimbursement to customer
- **P.I.V Processing**
 - have not implemented 2 person reconciliation process for PIV's (being reviewed after the 2016 audit); however, currently we have requested an additional user access to PIV system to achieve this goal.
 - working to streamline the process with Accounting division to avoid confusion and process PIV payments same day .
 - no longer processing connection fees in customer service
- **Cashier Overages and Change Exchanges**
 - cashier overages are processed within 48 hours. Only 1 transaction occurred since audit
 - change exchange forms are in use
- **Cashier Change Funds**
 - increase of the cashier change fund from \$45 to \$75 reduced the need to supply change frequently throughout the day
 - cashier funds used the following day are counted by 2 clerks at the end of each day, placed in a tamper resistance bag and dropped in the night depository bin at end of day

G. Water Production

Our review of the water production and distribution areas identified an issue related to nuisance birds. The design and operation of the water treatment plants attracted these birds, and their presence created facility and health risks.

G1. Nuisance Birds

Finding – The Water Treatment Plants’ (WTP) design and operation attracted nuisance birds that caused corrosion and potential spread of disease to workers and visitors around the facilities.

Recommendation – Public Utilities should work with the appropriate federal and state agencies to address the issue.

Response - Many forms of goose control were deemed to not be appropriate for our water treatment facilities on Battlefield Blvd. or Western Military Highway. Earlier this year, DPU purchased decoy coyotes which function to scare away geese and other nuisance birds from our water treatment facilities. To date, it appears these coyotes have been effective. We are currently evaluating bird netting and other systems to reduce or eliminate pigeon access to the water treatment area. (Note: The full text of the response is included in the audit report.)

2018 Status – This recommendation is in the process of being implemented. Water Production has utilized two control measures for nuisance birds (geese and pigeons). Coyote decoys were purchased and are used throughout the treatment plant as a deterrent to Canadian Geese. The decoys are effective but it is necessary to relocate the decoys frequently to retain the deterrent value. As discussed during the audit, more directed measures are available to physically remove geese from areas where they congregate but such methods are highly controversial. Several newspaper articles covering this practice at local neighborhoods and golf courses generated widespread negative response in the past two years. It is believed that if such measures were deployed by Water Production, a similar backlash would result. Consequently, there are no plans to use direct removal measures at this time- decoys will continue to be used.

To address the pigeon problem under the covers on the settling basins, an ultra-sonic deterrence system was installed in 2017. This system emits a high frequency sound that is not detectable to humans but is designed to deter pigeons. This system has also been somewhat effective but we are currently experimenting with adjusting the ultrasonic output of this device in an attempt to obtain even better results. It has been observed that deterrence is most effective close to the units but the effect diminishes with distance from the transmitters.

H. Contracts

We noted several areas where contracting practices could be enhanced. Some contracts lacked some technical information, applicable inflation indices were not always specified.

H1. Contracts

Finding – Contracting practices for Public Utilities could be enhanced.

Recommendation – PU should work with Purchasing to enhance its contracting practices.

Response - Public Utilities requested and was approved to hire a new senior engineer to serve as a Capital Project Manager as part of the FY17 budget. This individual will bring management of our capital program under one supervisor. Standardizing and improving our contracts is one of this individual's specific objectives. This individual will also provide quality control over our capital contracting process. Most of the identified situations and recommendations are relevant to capital contracts, and will be under this individual's purview.

2018 Status – This recommendation is in the process of being implemented. Public Utilities hired the Capital Project Manager, and he has worked with Purchasing staff negotiating eight Engineering Annual Service Contracts which are renewable for up to five years. Some of those contracts incorporated fixed rates for two years and then utilize the Employment Cost Index (ECI) on the Bureau of Labor Statistics (BLS) for South, Washington-Baltimore-Northern Virginia, DC-MD-VA-WV CSA, to adjust future year's rates with a cap of 3% per year.

DPU, Purchasing and City Attorney have standardized front end bid documents for capital improvements projects utilizing the newly released 6th Edition of the Hampton Roads Planning District Commission (HRPDC) Regional Construction Standards.

DPU Engineering Department has also developed technical specifications and standard details for incorporation into Section 110 Special Provisions of the HRPDC Regional Standards, which vary by locality within the Hampton Roads region.

A standard database of construction line item costs is being developed (Hazen-Sawyer, engineering consultant) for consistent project cost estimating. Costs will be adjustable using an inflation index.

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FOLLOW-UP REVIEW

CITYWIDE OVERTIME

REPORT ISSUE DATE: JUNE 30, 2016

FOLLOW-UP REVIEW DATE: MARCH 2018

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

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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**

March 30, 2018

The Honorable Rick W. West and
Members of the City Council
City of Chesapeake
City Hall--6th Floor
Chesapeake, Virginia 23328

Dear Mayor West, and Members of the City Council,

We have completed our follow-up review of the Citywide Overtime. The review was conducted in December 2017. As of that date, the status of the report's two open recommendation was as follows:

- had been implemented
- was in the process of being implemented
- was planned but not yet implemented
- 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

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**FOLLOW-UP REPORT
CITYWIDE OVERTIME
PERFORMANCE AUDIT
MARCH 2018**

Table of Contents

	<u>Contents</u>	<u>Page</u>
C1	Staffing and Service	45
D1	Oversight	46

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C1. Staffing & Service

Finding – Overtime pay was often the result of vacancies in approved budgeted positions.

Recommendation – The City should take steps to reduce the number of recurring vacancies that drive overtime costs.

Response – We agree with the auditor concerning the need to reduce the number of recurring vacancies, and we continuously seek to reduce the time it takes to replace vacant positions. Vacancies occur for a variety of reasons, including retirements, relocations, other opportunities, and job dissatisfaction. It appears that employee turnover is increasing as the economy improves and more opportunities are available. The city seeks to stem job losses by improving pay and working diligently to hire candidates whose interests are closely aligned with job openings. Frankly, we will likely see an increase in turnover due to the introduction of the VRS hybrid retirement plan. The defined benefit component of the plan for new general workforce employees is much less substantial than that of existing employees in VRS Plan 1 or 2 which encourages job movement. (Note: The full text of the response is included in the audit report).

2018 Status – This recommendation is in the process of being implemented. Human Resources (HR) continues to partner with departments to educate on the recruitment process as it relates to vacancy management. The process begins with the department submitting the requisition to fill a position to begin the recruitment immediately upon resignation/retirement/termination. At that point, departments are encouraged to quickly identify any job related off-site and/or onsite work, drafting interview questions for HR review, selecting interview panel members for HR approval, and scheduling first/second interview dates. This proactive planning moves the recruitment process along quickly, thereby reducing the time to fill a position. The Recruitment and Selection policy and step by step guide have been revised and are in the final approval stages. The citywide Recruitment Committee was also instrumental in the review of a list of advertising resources and frequently asked questions about recruitment that are posted on the City's intranet.

The factors that affect overtime are many. They include providing coverage, in the form of overtime, for employees on job protected leave (e.g. Family and Medical Leave, Military Leave, Americans with Disabilities Act, worker's compensation). Second, if an economy improves, workers tend to be more apt to move from employer to employer. Third, newly hired nonsworn employees that are not already vested in the Virginia Retirement System Plan 1/2 are in the hybrid retirement plan. The hybrid plan is a combination of defined benefit and defined contribution, and not as rich as benefit as the VRS Plan 1/2 defined benefit only retirement.

During each budget cycle, HR conducts classification reviews on benchmark positions to determine the City's competitive position in the local government market. Based on the comparator data analysis, recommendations are made for inclusion of market adjustments in the budget. During the budget cycle, the Budget Office identifies positions that have been vacant greater than a year to determine the continued need for same.

Other recent changes include the seasonal/substitute positions being included on the full/part time pay ranges for comparable positions. The Codes Compliance Inspector series in the Development and Permits Department is the most recent addition to the career development programs in the City. Departments are being mindful of hiring above the minimum of the pay range, as appropriate, based on education and experience, while taking into account internal equity.

It is noteworthy that not every vacant position is being actively recruited. For example, there are positions in CIBH that are not funded until and unless there is sufficient demand for the particular services offered by those positions. There are positions in DIT that are not being actively recruited while management determines the order of priority of projects (e.g. mainframe, service level budgeting).

Public safety departments have periodic recruit academies that encompass all of the vacancies since the prior academy. The average recruit class is typically 20-30, but some academy classes have had as many as 40 recruits. To account for attrition during the recruitment and selection process, the public safety departments typically overhire sworn trainees with a goal of having all of the positions filled at the end of the recruit school.

D1. Oversight

Finding – The City did not have an automated notification mechanism when Overtime Leave (OTL) balances exceeded the FLSA maximum.

Recommendation – The City should explore methods of automating the notification when OTL balances exceeded the FLSA maximum.

Response – **The City's Kronos system, as mentioned earlier, is capable of tracking overtime leave earned, taken and balances. This capability is used to record the City's liability at the end of the fiscal year as a result of the earned overtime leave that has not yet been taken. Regular monitoring of the earned Overtime leave is available to Managers each pay cycle as during the sign off process employee's timecards the status of this information is reflected on screen. Additionally leave balance reports for all leave categories are available on demand for Managers to monitor collectively as well.**

2018 Status – This recommendation is planned, but not yet implemented. The City continues to track the OTL threshold requirement through the required monitoring of the departmental payroll clerks, however an additional report has been developed to isolate only those employees by department that have approached the OTL threshold. This report has been developed and is available to payroll clerks through the on demand Genie report function in KRONOS. During the quarterly payroll and timekeeping training held for all payroll clerks and/or those using KRONOS, the goal is to train payroll clerks to monitor this report monthly for those employees approaching the OTL threshold in order to resolve this issue in a timely manner.

IT has researched the feasibility of creating a system alert to notify the direct supervisor of an employee who is at/above a specified number of hours of OTL. After discussions with other KRONOS customers, it is believed that the system can be configured to notify the direct supervisor (the same person who approves their leave/time off requests) once per pay period for anyone who is at/over this specified number of hours. The notification would come in the form of an email. At that point, the supervisor would need to take action to pay out the OTL or instruct the employee to use OTL. It is important to note that this research has been performed through discussions with other customers but not tested in the City's environment. The decision is to move forward with testing and further discussions to set the OTL trigger amount and if testing is successful, a deployment into production and training for users would follow.

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FOLLOW-UP REVIEW

CITYWIDE GRANTS

REPORT ISSUE DATE: JUNE 30, 2016

FOLLOW-UP REVIEW DATE: MARCH 2018

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

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Audit Services Department
306 Cedar Road
Post Office Box 15225
Chesapeake, Virginia 23328-5225
(757) 382-8511
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March 30, 2018

The Honorable Rick W. West and
Members of the City Council
City of Chesapeake
City Hall--6th Floor
Chesapeake, Virginia 23328

Dear Mayor West and Members of the City Council:

We have completed our follow-up review of Citywide Grants. The review was conducted in March 2018. As of that date, the status of the report's one open recommendation was as follows:

- 1 had been implemented
- were in the process of being implemented
- was planned but not yet implemented
- 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

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FOLLOW-UP REPORT
CITYWIDE GRANTS
PERFORMANCE AUDIT

March 2018

Table of Contents

<u>Contents</u>	<u>Page</u>
C1. Verification of Recipients for Non-Departmental Awards	55

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C1. Verification of Recipients for Non-Departmental Awards

Finding - The City did not verify that recipients of its Non-Departmental awards were current in their federal registration status.

Recommendation - The City should verify the status of Non-Departmental award recipients on SAM.gov prior to approving the awards, if the recipient receives federal funding.

Response - **We concur with Audit's findings. In the future, organizations/agencies will be required to document if they are recipients of federal funding the previous year and if they anticipate receiving funding in the year requesting the City's funds. The agency will be required to demonstrate that they have registered with SAM.gov. The City will release the funds to organization/agency after reviewing the SAM.gov information.**

2018 Status – This recommendation has been implemented. The Department of Human Service (Community Programs) provides oversight to the Human Services grants in the Non-Departmental Budget line item. The grant application now indicates that the grantee must be listed favorably in [SAM.gov](https://sam.gov) in order to be considered for funding. All applicants are screened in the [SAM.gov](https://sam.gov) system prior to review by the grant committee. If they are not listed favorably in the system, they will not be considered for funding.

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Managerial Summaries

Fiscal Year 2018 Audits

Citywide Succession Planning
Public Works

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Managerial Summary

City of Chesapeake
Audit Services
May 10, 2018

Departmental and Citywide Succession Planning
July 1, 2017 to December 31, 2017

A. Objectives, Scope, and Methodology

We have completed our review of Departmental and Citywide Succession Planning for July 1, 2017 to December 31, 2017. Our review was conducted for the purpose of evaluating the status of City departments and the City as a whole related to succession planning prior to the City's prospective development of a formal succession plan.

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.

According to the federal Veterans Health Administration Strategic Succession Plan 2013 (Overview page 1): "Succession planning focuses on building the organization's bench strength and succession pipeline to ensure continuity in key positions and encourage individual advancement. Its goal is to match the organization's existing talent to its future needs and to ensure that the lessons of organizational experience will be preserved to achieve continuous improvement in work results."

To conduct this audit, we identified staff potentially eligible for retirement under Virginia Retirement System (VRS) guidelines on both a departmental and citywide basis, practices and procedures related to those prospective retirees, and operations documents and reports, both internal and external. We reviewed succession planning audits conducted for other federal, state, and local government entities. We also interviewed every department head who had City employees, collected data from the City's MUNIS and Kronos payroll systems, and collected and reviewed job descriptions for comparison to actual work tasks indicated therein. We also obtained and analyzed data from Human Resources concerning the eligibility of City employees for reduced and unreduced retirement benefits as of July 1, 2017, and extended that information to December 31, 2017.

Major Observations and Conclusions

Based on our review, we determined the City departments and City management were well aware of potential staff losses and the need to develop staff for future City operations. However, we identified several areas of concern which, if not addressed could result in disruption of service and loss of continuity. They included succession preparation, City-based leadership training, staffing in key positions, and training reimbursement.

This report, in draft, was provided to City Management 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. Also, departmental summaries are included in Appendix B, and positions eligible for unreduced retirement are included in Appendix C. All the departments and management staff were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

B. Performance Information

As previously noted, succession planning focused on building a pipeline to ensure continuity in key positions, encouraging individual advancement, and maintaining institutional knowledge. Departments understood the work they were required to perform and how to accomplish that work utilizing existing staff capabilities or temporary service contracts. Departments and agencies adapted to personnel changes and continued to provide the required services without interruption.

As was also noted however, the City had not yet developed a formalized citywide succession plan. Therefore, items that one might reasonably expect to see included in a succession plan, such as workload indicators for key staff positions, had not yet been fully developed, quantified, or compared to actual work. Likewise, there had not been a citywide “gap analysis” to determine where staff resources could be better deployed, although many departments cited examples of resource reallocations that were performed to meet pressing needs.

1. VRS Eligibility Status

Each department had the ability to produce reports from MUNIS advising them of their staff’s tenure. Human Resources conducted an annual review of employee VRS status but did not generally collect VRS time acquired from previous City employment or non-Chesapeake sources. MUNIS was not structured to include this data. Collection and verification of VRS data was labor intensive as the VRS system did not communicate with MUNIS.

2. Chesapeake Leadership University (CLU)

In 2006, the City developed a now discontinued curriculum for introducing various leadership and management skills and techniques for employees who met the below competitive application requirements. Several departments we interviewed spoke highly of the program and suggested that the City explore creating a similar program.

3. Leadership and Management Training

As previously mentioned departments consistently indicated that they saw the need for leadership and management training post Supervisory Training. Public Works; Public Utilities; and Parks, Recreation, and Tourism (Parks) had begun coordinating with Human Resources and Purchasing to acquire Citywide leadership and management training. This training was to be made available to staff throughout the City

4. Positions with over 20 years and less than 5 years City Service

Exhibit B represents the staffing of the City as of December 31, 2017 and highlights staff with more than 20 years' service as well as staff with less than five. Twenty years was the point at which City staff could retire and maintain health benefits. As the exhibit indicates, there were 531 employees with more than 20 years' service, with 135 of those having more than 30 years. There were also 1,767 employees with less than 5 years' service. City staff received 48.4% of the City's operating budget in direct pay compensation.

C. Operational Finding

We interviewed 32 City departments to obtain their perspectives on succession planning issues throughout the City. The following finding summarizes the issues that were identified. Individual departmental responses can be found in Appendix B.

Finding – City Departments raised a number of potential issues related to the City's prospective succession planning process. These issues included succession preparation, City-based leadership training, staffing in key positions, and training reimbursement.

Recommendation – The City should incorporate the succession preparation, City-based leadership training, staffing in key positions, and training reimbursement issues identified into the succession planning process as it is being developed.

Response – We concur with the Auditor's findings and recommendations. The need for succession planning is significant in most, if not all, City departments. Succession planning has long been a topic of serious concern in department head meetings and within individual departments. However, we agree that greater coordination of succession planning is needed on an organization-wide basis. We also agree this planning should include City-based leadership training, attention to any unique problems or concerns regarding succession in specific job classifications and training reimbursement programs.

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Managerial Summary

A. Objectives, Scope, and Methodology

The Audit Services Department has completed its review of the City of Chesapeake (City) Department of Public Works (DPW) for the period October 17, 2017 to July 13, 2018. The review was conducted for the purpose of determining whether the DPW 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 departmental procedures related to DPW staffing and operations, and the Chesapeake Transportation System (CTS) activities and operations.

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

DPW provided essential services for the City. DPW consisted of 19 service areas, organized into eight divisions, two of which operated as enterprise funds. The remaining six divisions were part of the City's General Fund. Three of the service areas, Resource Management, Solid Waste Disposal, and Contractual Services will be discontinued and folded into other service areas effective with the Fiscal Year (FY) 2019 budget.

DPW's primary services included the collection and recycling of solid waste; design, review, approval, and inspection of capital improvement plans for the construction of roads, bridges and major highways; installation, repair, and maintenance of traffic signals, signs, and pavement markings; operation and maintenance of streets, bridges, drainage and stormwater infrastructure elements, inspection of contract maintenance work, including street cleaning and vegetation control; construction inspection and maintenance of municipal buildings; and storm water management. DPW had been accredited by the American Public Works Association (APWA) since September 2006 and was re-accredited in November 2010 and 2014. The results of the next re-accreditation review were due in December 2018.

For FY 2018, DPW had an operating budget of over \$96 million and an authorized complement of approximately 478 personnel. The Central Office was located in the City Hall Building with an Operations Center at Greenbrier Yard and smaller centers in the Bowers Hill and Hickory sections of the City. In July of 2010, the former General Services Department divisions of Facilities Maintenance and Facilities Construction were reorganized and placed into Public Works.

Divisions within Operations included Streets, Bridges, Drainage, Stormwater, Operations Group, and Contractual Services. These areas were reorganized into three functional groups: Administration, Planning and Scheduling, and Execution.

To conduct this audit, we reviewed and evaluated City and DPW policies, procedures, operations documents, and reports, both internal and external. We also reviewed and evaluated various aspects of departmental operations. We conducted site visits to obtain a general understanding of various departmental processes. We discussed these audit areas and conducted interviews with departmental management and various other personnel.

Major Observations and Conclusions

Based on our review, we determined that DPW had accomplished its overall mission of providing a variety of core services that were critical to the operations of the City. However, we did identify several areas of concern that needed to be addressed. Those areas included retention of employees in several key positions, most notably motor equipment operators, operational issues related to the opening of the Dominion Boulevard Veterans Bridge; and possible City Code revisions related to the release of performance bonds.

This report, in draft, was provided to DPW 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. DPW 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

Public Works had 19 services areas split into eight divisions which provided a wide variety of different citizen and City services. These divisions included Resource Management/Customer Service, Engineering, Operations, Streets and Bridges (which reported to Operations), Stormwater Management/Drainage (which also reported to Operations), Facilities Management, Waste Management, Traffic Operations, Contractual Services, and the Chesapeake Expressway. Three of the service areas, Resource Management, Solid Waste Disposal, and Contractual Services will be discontinued and folded into other service areas effective with the FY2019 budget.

1. Resource Management/Customer Service Division (Customer Service, Accounting, and Safety)

The Resource Management Division was comprised of three major components: Customer Service, Accounting, and the Safety Program. Customer Service processed DPW-related calls received by the City's Customer Contact Center. Calls were logged and distributed to the various divisions to be addressed.

2. Operations Divisions

Operations provided oversight and technical support to several divisions and budgetary sections of DPW including Street Maintenance, Bridges, Drainage, Contractual Services, Operations Group, and Stormwater. The Operations Group was led by an Operations Manager who was responsible for supervision and oversight of all of these divisions. Separate from these divisions, Operations included two Customer Support Technicians, an Administrative Assistant, three Engineering Technicians, an Engineering Specialist, a GIS Analyst and a Storekeeping Supervisor, Surveyor, Accountant, Safety Officers, two Engineer IIs, Project Manager Operations Administrator (P.E.), Operations Superintendent, and an Engineer III all of whom provided support services to the other divisions as well. In addition, Operations was responsible for managing emergency operations, with all divisions collectively responding to clearing roadways and drainage facilities during snow, ice, hurricane, tornado, and flooding events.

3. Street Maintenance/Bridges and Structures (Operations Division)

The Street Maintenance/Bridges and Structures Division reported to Operations and maintained and repaired the City's right-of-way, which included more than 2,300 lane miles. It also maintained 112 bridges and overpasses and structures, three of which were movable bridges. These bridges opened approximately 30,000 times a year for water vessels.

4. Contractual Services (Operations Division)

Contractual Services, a separately identified section in the City's budget was functionally part of Operations. It procured and administered contracts for Street Maintenance/Bridges, Traffic Operations, Stormwater Management/Drainage, and other functions within Public Works.

5. Engineering Division

There were approximately 100 staff in Engineering. DPW Engineering as a division had multiple sections:

- Traffic Engineering conducted traffic studies for problem areas related to highway capacity, traffic signalization, and intersection signalization. Traffic was also responsible for the operational side. For instance, when a traffic signal was not working, traffic technicians were sent into the field to make repairs. The traffic signs were created in Traffic Engineering. They handled everything related to Traffic except for Transportation projects.
- Design Construction Management (DCM) was responsible for the design and construction management of Transportation projects.
- Stormwater Engineering was part of the Stormwater Management Division. This section was responsible for designing stormwater systems in compliance with federally mandated EPA requirements.

The DCM staff consisted of a total of 22 FTEs responsible for oversight of the design and construction of the City's CIP Budget (which exceeded \$732 million) and the City's stormwater construction projects (which exceeded \$28.5 million)

6. Stormwater Management

Stormwater Management, which reported to the Director, was a mandated federal and state program that required the City to regulate stormwater runoff in an effort to reduce pollution. Since neither the federal nor state government provided funding, the revenues needed to support the program were provided through a Stormwater Utility fee, which was the primary source of revenue for the Stormwater Management Enterprise Fund. Owners of developed property (property that contained impervious areas), both residential and non-residential, were billed this fee.

Stormwater Management was responsible for maintaining more than 1,730 miles of public ditches and stormwater pipes, and 38,000 inlets and manholes. As the City continued to acquire and construct more storm drain pipes, ditches, and channels, the City was expected to maintain those newly constructed systems and address "nuisance flooding" caused by poor or congested drainage. New environmental regulations for runoff quality were pending. DPW faced many new requirements to meet the Total Maximum Daily Load (TMDL) water quality requirements for the Chesapeake Bay and impaired local waterways.

7. Waste Management

Waste Management provided refuse collection once every week for over 68,500 residences in Chesapeake. Over 100,000 tons of refuse was collected annually. The City's solid waste was transported to the Southeastern Public Service Authority (SPSA) transfer station on Greenbrier Parkway or the regional Refuse Derived Fuel Facility in Portsmouth. Waste Management was responsible for bulk trash pick-up. They also managed the City's five-year contract with TFC Recycling, a recycling contractor. Waste Management had become more fuel efficient as a result of the City's purchase of approximately 25 trucks that ran on natural gas. All collection trucks were outfitted with DriveCam GPS and cameras. Waste Management had also improved the efficiency of operations through the use of its RouteSmart system.

8. Facilities Management (Facilities Maintenance and Facilities Construction)

Facilities Management was the City's internal resource for constructing and maintaining City-owned facilities. It included two sections: Facilities Maintenance and Facilities Construction. In July 2010, these sections were transferred into DPW from the General Services Department, which was eliminated. Although DPW managed the two sections separately, they were still consolidated under Facilities Management in the City's operating budget. This section manages several facility replacement or expansion projects such as fire stations 7 and 10. The section recently completed the

\$40 million public safety operations center well under budget. An example of ongoing projects managed by this section was the jail expansion.

9. **Safety Meetings**

DPW Operations held weekly safety meetings live for all operations staff in order to improve safety and efficiency at the same time. These meetings were broadcast to other areas in the Bowers Hill and Hickory locations. Using various internet broadcast tools such as Skype, DPW Operations could reach all employees without requiring them to assemble at the Butts Station location. This saved time and travel for employees at outlying locations and allowed for the DPW Management's weekly agenda to be communicated to all field employees in a prompt and efficient manner. DPW Operations disseminated other information on a weekly basis: employee opportunities, Administrative and Department Regulations, equipment status, and CDL training schedules.

10. **Chesapeake Transportation System (CTS)**

The CTS operated and maintained the Chesapeake Expressway (Expressway) and the Dominion Boulevard Toll Road (Blvd), as well as the associated toll collection equipment.

- a) ***Expressway.*** The Expressway was a 16-mile long, four lane divided highway which opened in 2001 and linked Interstate 64 to North Carolina and the Outer Banks. Expressway staff managed an electronic toll collection system which incorporated open-road technology. Vehicles equipped with an E-Z Pass transponder could pass through the "express lane" at the toll facility without stopping. The Expressway was built parallel to Battlefield Boulevard, which it crossed in three places. As many as 40,000 vehicles passed through the toll plaza on a peak weekend day. The Expressway used a peak/off peak rate schedule. The peak period was roughly weekends between mid-May and early September. According to DPW's CTS Monthly Disclosure Report from July 17, 2017 through November 17, 2018, the cumulative number of cars that had used the Expressway was 2,060,384.
- b) ***Dominion Boulevard Project.*** Construction on the project began in January 2013 and was substantially completed in November 2016. The 3.8-mile project widened Dominion Boulevard from two to four lanes from Cedar Road to Great Bridge Boulevard, replaced the two-lane drawbridge over the Elizabeth River with a four-lane, fixed-span, high-rise bridge, and provided improved connection between the I-64/464 interchange and the southernmost portion of U.S. Route 17. Funding was provided by toll revenue bonds, previously committed funds, and a \$152 million loan from the Virginia Transportation Infrastructure Bank. According to DPW's CTS Monthly Disclosure Report, from July 17, 2017 through November 17, 2018, the cumulative number of cars that had used the Dominion Blvd. Veterans Bridge was 3,560,511.

The Dominion Boulevard Improvement Project was the recipient of the American Society of Highway Engineers 2018 National Project Award of the Year in the over \$20 million category. This national recognition adds to a long list of awards for the project.

11. 2010 Reorganization of DPW Responsibilities Regarding Performance and Defect Bonds

On July 1, 2010, the City officially reorganized the staff of the DPW and the Department of Development and Permits (DDP). This change had been in progress since February 2010. Under City Code 1970 Sec. 70-122 – Acceptance of Bonding of Physical Improvements, the City fundamentally changed the process for the release of Performance Agreements and Defect Bonds² and moved the responsibility of releasing the bonds from DPW to DDP.

DPW was no longer responsible for performing the final quality review to ensure newly installed infrastructures were meeting operational standards prior to the City's acceptance and release of the Performance Agreements and Defect Bonds. DPW was only involved after the ownership was transferred to the City. It would be prudent to transfer the acceptance authority to the owner (DPW) to ensure the expected service life of improvements was met from a maintenance perspective.

12. DPW Operations – Proposed Apprenticeship Academy

In an effort to train and retain qualified employees for MEO positions DPW Operations was researching the creation of an apprenticeship academy program which would include a Motor Equipment Operator In Training (MEOIT). This program as envisioned would allow DPW Operations to team up with Tidewater Community College (TCC), University of Virginia (UVA) Transportation Training Academy, and Hampton Roads Public Works (HRPW) Academy to provide the necessary training to develop employees who wanted a career as heavy equipment operators for the City. The involvement with TCC would either be TCC directly providing the classes necessary, or training subject matter experts and trainers within DPW to bring the training “in house.”

The program required that applicants have a basic understanding of construction work in various areas such as asphalt, concrete, and excavation. Applicants to the program also needed to have a valid driver's license and an acceptable driving record. Upon acceptance, the employee would start training class as well as hands-on training with crew leaders and supervisors in order to obtain the necessary skills required to achieve licensure and certification during their probationary period.

13. Service Level Agreement Between Central Fleet (CF) and DPW'S Waste Management Division (WM)

² Performance Agreements and Defect Bonds are also known as Agreements and Bonds With Surety

In March of 2016, the CF and the WM Divisions entered into a service level agreement for fleet management and maintenance services. This agreement as designed:

- Created a collaborative partnership to manage, maintain and replace the WM fleet in the most efficient and economical manner possible while also maintaining vehicle availability
- Focused the priority needs of both CF and WM
- Established clear performances roles, responsibilities, and expectations for both CF and WM
- Identified and perform fleet management and maintenance services according to agreed upon standards, schedules, and deadlines
- Established performances metrics
- Created a culture of service quality and embraced continuous improvement concepts

14. Plans for a DPW Central Warehouse and Other Administrative and Operational Building Needs

In 2017, DPW Operations recognized a need to construct a permanent building structure for the purpose of creating a central warehouse. The warehouse would be used to store DPW supplies and equipment most needed by the various DPW work crews as well as the Sheriff's inmate workforce crews. DPW Operations did not maintain a central warehouse for its supplies. Work crews were required to make purchases from local hardware stores in order to replenish supplies. The new central warehouse, combined with the storeroom, work order, and inventory processes in the Maximo System, was intended to create more efficient use of resources and crew time. Additionally, supplies could be ordered at reduced bulk pricing, minimizing the number of separate trips work crews would need to make to replenish supplies at the local hardware stores. The new building would allow a small team of storeroom clerks to gather and assemble the necessary supplies, equipment, and other materials necessary for the work crews to fulfill work orders as needed.

An Administrative building with ample parking was also proposed to house the management, supervisory, and inspection staff from DPW, and Department of Public Utilities (DPU). The corner vacant lot of the Public Works Greenbrier Operations location was also proposed for the construction site of this building to allow for the least disruptions to day-to-day operations. DPW indicated that this option would free up the land occupied by the DPW & DPU dilapidated buildings/trailers for either crew shops or sold for commercial re-development. This building was estimated at \$12.5 M(illion). The existing available funds as of October 8, 2017 were approximately \$11M (\$7.1M General Obligation Bond & Cash and \$3.9M Public Utility Revenue Bond).

15. CSR Mobile App

The CSR Mobile application was primarily aimed at citizens and would allow them to request a variety of City services over their mobile devices. The CSR mobile application had a soft roll out in February 2018 at Apple and Android sites and was being used by a small number of users. This was expected to change when the application was officially launched to the general public. The main functionalities of the application were:

- Ability to submit and view the status of service requests
- Ability to view recent requests from other users
- Ability to attach pictures to a service request
- Ability to use GPS locations to enter service requests

The CSR Mobile App would have the potential to significantly increase the number of work orders for DPW as more citizens become aware of this mobile application.

16. Mowing in the City Right-of-Ways

To help further the City's economic development goals, the City's leadership was being proactive by making improvements to the attractiveness and presentation of the City. In FY 2018, DPW was approved to increase mowing cycles on tall weeds and grass in the City's maintained right-of-way areas for the major economic development corridors. The goal was to give perspective business and citizens a positive perception of the City.

DPW planned to increase the mowing of open areas from three cycles a year to four cycles at an additional annual cost of \$13,500.00, and increased the mowing of ditch back slopes from two cycles to three at an additional annual cost of \$52,500.00, as funds became available and appropriated.

C. Employee Turnover and Staffing Impacts

DPW was experiencing a shortage of qualified field operations personnel and other significant technical positions due to vacancies created by high employee position turnover. The situation was particularly acute for Motor Equipment Operators, since their salaries were not as competitive as they could be. Furthermore, the City was not tracking the employee turnover rate, nor the cost of employee turnover by department. (Note: Audit Services developed a process to assess the employee turnover rate and will share the process City-wide to ensure all departments have the ability to track this data). As a result, DPW was experiencing overtime, service delivery, and other adverse impacts. As a result of turnover, DPW experienced 3,228 months of employee vacancies and an increase in operational inefficiencies. The City incurred an obligation of approximately \$3.6 million of various known expenses relative to employee turnover between April 8, 2011 and October 17, 2017.

1. High MEO and Other Position Turnover

Finding - DPW was experiencing a shortage of qualified MEO personnel and other significant operational and technical positions due to high employee turnover.

Recommendation - DPW should continue to work with the City and HR to take additional steps to address the MEO and other significant position turnover issues.

Response – *HR staff planned and executed a major undertaking to recruit MEOs in June 2018. Staff from HR, PW and PU participated in the hiring event from processing applications to conducting interviews and making conditional offers all on a Saturday. The event had received a new level of advertising campaign well before that day. The selected candidates failed to fill the vacant positions due to various reasons. As of today, the number of vacancies remain the same.*

PW initiated a similar attempt independently last year by posting a 'Now Hiring' sign at the Greenbrier yard. The sign attracted over 230 local marginally qualified applicants over a short period of time. This attempt coupled with the recent HR Hiring Event indicate that attracting applicants is not the issue. The real issue is RETENTION. Once they are considered, the pay becomes the deciding factor. (Note: the full text of the DPW response is included in the audit report.)

2. Salary Competitiveness for MEO and Solid Waste Positions

Finding – MEO and Solid Waste salaries were not as competitive as those in some neighboring localities, and changes made to increase the pool of applicants may adversely impact future promotion for the affected staff.

Recommendation - The City should explore alternate means of becoming more competitive for MEO and other positions. Additionally, the City should also take steps to ensure that any newly hired MEO's can eventually be promoted.

Response - *Although some localities offer higher salaries, they basically face the same retention issue. Private sectors who currently offer higher salaries and bonuses should be included in the benchmarking analysis. However, the current approach to lower education requirements for MEOs to attract entry level applicants will limit promotional opportunities to supervisory and lead crew positions requiring additional formal education.*

The proposed robust training/apprenticeship program will provide the desired competitive edge as an alternative/interim step to competitive salaries. The MEO education requirements may need to be reverted to HS diploma or GED. Almost all MEO Hiring Event applicants had their HS diploma or GED.

3. Tracking and Monitoring of Employee Turnover

Finding - The City did not track, monitor, or report on the status of employee turnover by position within departments and their divisions. Consequently, employee retention at those levels was also not monitored by the City. Additionally, the City did not require exit interviews for separating employees, making it difficult to gain the full understanding for reasons why employees left. Both HR and DPW agreed that changes were needed to address the staffing issues.

Recommendation - The City should identify ways to more effectively track, monitor, and report on the status of employee turnover by position within departments and their divisions. Similarly, the City should explore methods of increasing the number of exit interviews for separating employees.

Response - *The Auditor created additional vacancy reports that were not previously available that showed the length of time vacancies occurred rather than the incidences as was previously available. These reports should be continued and expanded to other departments to show the full impact of lost time due to vacant positions.*

PW Operations initiated independent exit interviews last year. The results indicated that the majority of employees sought outside employment for higher salaries. The records indicate that the department has been successful to promote from within competitively. PW will continue conducting exit interviews and share the results with HR.

4. Overtime Costs

Finding - DPW Overtime costs increased substantially over a seven year period. The increase appeared to be related predominantly to staff shortages.

Recommendation – DPW should continue its efforts to reduce vacancies, so that overtime is reduced.

Response – *We concur with this finding. Some overtime is inevitable due to Public Works emergency management role - snow fighting and storm responses. But we also have had to overextend the capability of the workforce to deliver core services under the current vacancy rates (10-15%). Apprenticeship Academy/training seems to be a logical and practical approach to increasing staffing levels thereby lowering overtime costs and maintaining the expected level of service. Although frequent overtime may be attractive to some employees, it promotes fatigue and missing work in the long run which eventually contributes to high turnover rates.*

Alternatively we have had to contract for basic maintenance services to augment our short staffing. For example, the current cave-in repair backlog by contractor amounts to \$800,000. At least 60-70% of this work could be completed by the in-house workforce if PW had its full complement.

5. Service Delivery Delays Caused by Staffing Shortages

Finding – DPW was experiencing delayed service delivery due to staffing shortages.

Recommendation – DPW should continue to monitor the impact of service delays and ensure that City management is aware of potential impacts.

Response - *PW has established Service Goal Days for every major service category. Our annual performance measurement reports track accomplishments in terms of output measures. Those reports show the reduced level of staffing has had a direct impact on our ability to provide timely services to our customers. While priority repairs will be made, routine service responses are being delayed due to lack of staffing - resulting in backlogs or work, longer response times, and delayed completion of work. This is reflected in growing dissatisfaction with the length of time it takes to schedule and complete urgent and routine work.*

To help connect our workforce performance to our customers, PW added a new part time position last year to conduct customer satisfaction surveys on the quality and timeliness of services. The data will be used to determine an outcome performance measurement on a semi-annual basis and provide feedback to crews on the satisfaction with their work.

6. DCM Staff Shortage Impacts

Finding – DCM was experiencing staff shortages that required extensive usage of contractors, potentially increasing contract costs.

Recommendation - The City should continue supporting DCM in utilizing consultants for specialized projects, on-call consultants, and staff augmentation for vacant positions until filled.

Response - *Public Works concurs with the recommendations. Continued high turnover in the engineering division has significant impacts on project delivery schedules resulting in delayed improvements to our customers and to increased costs due to construction inflation.*

7. Other Employee Turnover Impacts

Finding – The City was experiencing a number of other employee turnover impacts including higher worker's compensation costs. Increased administrative workload, cost of hiring and training new employees, potentially avoidable City closures, and other costs.

Recommendation - The City should monitor cost an impacts in these areas and take action if necessary.

Response - Those factors are somewhat expected when the workforce is overextended to meet the day-to-day demands of designing and repairing the streets, bridges and drainage ways safely. We believe that significant lost time (not currently captured) is spent in interview panels, new employee training and orientation, limited productivity of new worker, etc. We concur - the costs including the hidden costs should be collected as a City-wide effort to be analyzed and compared to the cost of impacted employee classification pay increases.

D. Chesapeake Transportation System

The Chesapeake Transportation System (CTS) consisted of the Chesapeake Expressway (Expressway) and Dominion Boulevard Veteran's Bridge (DBVB) Toll Roads. While the Expressway has been operational since 2001, the DBVB just initiated operations on February 9, 2017. Based upon our review of CTS operations, we identified several areas of concern, including concerns related to backroom operations that needed to be addressed for both DBVB and the Expressway.

1. CTS DBVB Operational Issues

Finding – There were a number of areas related to CTS's operation of the DBVB that were experiencing challenges. These areas included the vendor contract, cost of collections for toll-by-plate and VTOLL transactions, incomplete transfer of duties to the new customer services manager, issues with collections on delinquent account written off by the vendor, the resignation of the Fiscal Administrator and insufficient cross training of the accounting staff, and the vendor continuing to send toll notices to accounts with invalid addresses (bad addresses).

Recommendation – CTS management should work with the City Attorney's Office and Purchasing to revise the existing contract with UBP to reduce operational costs. Remaining CSM job responsibilities should be transferred to the position as quickly as feasibly possible. Collection efforts for delinquent toll and fee accounts should be made a high priority. Consideration should be given to having the CTS Fiscal Administrator position jointly overseen by CTS and the Finance Department, and CTS should reevaluate their staffing needs to ensure they have sufficient and cross-trained staff to perform CTS job responsibilities, timely, effectively and efficiently. A process should be developed and implemented for invalid addresses so that toll violators can be invoiced for toll violations.

Response – *(DPW responded to the individual bulleted items. In order:)*

- ***CTS, in conjunction with the City Attorney's office and Purchasing staff will be entering negotiations with UBP in preparation for contract renewal in February 2019. The goal of the contract negotiations will be to better refine contract requirements and reduce operational costs.***
- ***A reciprocity agreement with NC falls under the jurisdiction of the Virginia Department of Transportation (VDOT) Toll Division. VDOT has indicated they are currently in discussions with NC to develop a***

reciprocity agreement that will better enable Va. agencies to seek payment from NC users of Va. toll systems.

- *CTS has recently hired a Fiscal Administrator. CTS Management will work with CTS financial staff to develop tracking tools to carefully monitor the success of the delinquent account collection process. UBP is developing a new reporting suite to be implemented with the delinquent toll account collections process to better facilitate monitoring and reporting of delinquent account revenue capture. (Note: the full text of the DPW response is included in the audit report.)*

2. CTS Expressway Operations

Finding – The operations function for the CTS Expressway needed improvement in the following areas: segregation of duties related to invoicing and posting of payments, system reconciliation, billing process, and issuance and inventory of EZ Pass transponders.

Recommendation – CTS management should review the operational work flow to find areas to streamline processes to get day-to-day work done in a timely fashion. CTS should consider ways to expedite the selling and inventorying of the E-Z pass transponders and find ways to expedite the counting of all funds.

Response – *(DPW responded to the individual bulleted items. In order:)*

- *Implemented during the audit period.*
- *Implemented during the audit period.*
- *System currently in use does not support this function.*
- *Cross training of administrative staff has been implemented to allow for processing of all payments received by 3 pm; payments received after 3 pm are processed the next business day. (Note: the full text of the DPW response is included in the audit report.)*

E. Other DPW Operational Issues

We noted that DPW Operations was being required to repair streets transferred to the City by developers earlier than anticipated in some cases due to construction issues. We also noted that areas of the DPW website needed updating.

1. Infrastructure Issues

Finding – Some completed streets submitted by developers to the City were deteriorating more rapidly than expected in some cases, creating additional costs and workload for the City.

Recommendation – The City should consider revising City Code section to require approval from DPW prior to surety bond release.

Response - We concur, the mechanism that establishes departments' authority (the City Code) should be revised to reflect PW (the owner) responsibility to review and accept the completed work prior to the releasing the bonds to ensure it meets city requirements.

D&P currently reviews and approves development plans, accepts agreements/bonds to guarantee construction of the infrastructure elements according to the approved plans, inspects the construction activities, accepts the improvements for maintenance on behalf of PW and releases the performance as well as defect bonds upon completion of the projects. PW has delegated plan review to D & P. PW then inherits the maintenance responsibility of the new streets and drainage improvements as soon as the performance bond is released. PW has the option of requesting certain requirements through PFM. The PFM addresses design criteria, construction standards and specifications. In reality, many development and construction aspects such as equipment access, easements and particularly non-engineering maintenance requirements are difficult to be simply captured in the PFM

2. DPW Web Pages

Finding – Some Public Works' webpages on the City's website contained out-of-date information and had other issues as well.

Recommendation – Public Works should ensure the webpages are reviewed as necessary to ensure the information provided is accurate and timely.

Response- The PW Public Information Specialist is tasked with updating the Department's webpage. Position is currently vacant which is causing delays in timely updating. Vacancy issue should be resolved by October.

A. SUMMARY

AUDITS IN PROGRESS, TECHNICAL ASSISTANCE & TRAINING

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AUDITS IN PROGRESS, TECHNICAL ASSISTANCE, & TRAINING

Technical Assistance Projects

Munis/Kronos – We continued to provide advice related to Munis and Kronos systems

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

PeopleSoft 9.3 Upgrade - We provided advice on the PeopleSoft 9.2 upgrade

ECC – Two members of Audit Services have participated in Employee Communications Committee

Customer Service – We have attended meetings and provided feedback on the City's U-Care/Customer Service initiative

Public Procurement Task Force Committee – We attended meetings to act as a conduit between Purchasing and Finance and provide advice on the improvements in procurement processes.

Fleet Utilization – We have attended meetings and provided assistance on the City's Fleet Utilization Project.

I/T Accela (eBuild) – We reviewed information on costs associated with the Accela program implementation.

I/T Steering Committee – Attend meetings to provide feedback on external consultants (Gardner) for the Information Technology department.

Cluster Management Group (and Process Improvement Committee) – Provide assistance to executive management on the City's strategic plan

Internal Governance Cluster Group – We attended meetings to provide input and feedback with regards to efficiency of operations within City departments.

Training & Other

July 2017

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

August 2017

Training –Staff participated in on-line continuing education courses.

September 2017

Training –. The team attended the Virginia Local Government Auditors Association (VLGAA) Fall Conference. In addition, the staff completed various on-line continuing education exercises.

October 2017

Training – Staff attended the Institute of Internal Auditors (IIA) District I Conference, and one staff member attended the Virginia State Society of CPA's Accounting and Auditing Day. Staff also completed various on-line continuing education exercises.

November 2017

Training – Staff attended IIA/Association of Certified Fraud Examiners (ACFE) Fraud Day training; and others participated in web based training.

December 2017

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

January 2018

Training – Staff completed various on-line continuing education exercises. Staff also attended the 2018 IIA Annual Tax Update.

February 2018

Training – Staff completed various on-line continuing education exercises. One staff member attended the Specialized Knowledge and Application training.

March 2018

Training – Team members participated in various webinars for continuing education. One staff member participated in an Information Technology Training Day.

April 2018

Training – The entire team attended the two day 2018 Annual Williamsburg Fraud Conference and completed various continuing education courses.

May 2018

Training – The entire team attended the VLGAA 2018 Spring Conference.

June 2018

Training – The entire team attended the Cherry Bekaert Annual Seminar. One team member attended the ACFE Global Fraud Conference; and members participated in various webinars.

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C. FRAUD HOTLINE

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FRAUD, WASTE, AND ABUSE HOTLINE REPORT

During Fiscal Year 2018 we received eight 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:

Compliant #1 – This complaint concerned allegations of a solid waste truck speeding in a neighborhood. Therefore, the matter was referred to Public Works and resolved.

Complaint #2 – This complaint involved an employee conflict of interest. We assisted the department in its investigation, which resulted in disciplinary action.

Compliant #3 – This complaint was related to oil cleanup on private property. It was referred to Public Works for resolution.

Complaint #4 – This complaint was related to a Purchasing project. It was referred to Purchasing for resolution.

Complaint #5 – This complaint involved a private citizen who claimed to have been a victim of bank fraud. This matter was referred to the police.

Complaint #6 – This complaint concerned School buses starting early in winter. It was referred to School administration. Which provided a satisfactory explanation.

Complaint #7 – This complaint was related to debris removal on private property. It was referred to Public Works for resolution.

Complaint #8 – This complaint was related to alleged employee misconduct. Although we could not substantiate the complaint, it was referred to the police out of caution.

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E. SUMMARY

TIME (HOURS) EXPENDED

JULY 1, 2017 TO JUNE 30, 2018

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**YEAR TO DATE SUMMARY REPORT
JULY 1, 2017 - JUNE 30, 2018**

A. Time (HRS) Expended During FY 18 – Completed Projects

1. Audits and Analytical Reviews

Public Utilities – Report	231.50
Libraries - Report	242.00
Special – Pro Rata - Report	178.00
Public Works – Administration	380.50
Public Works – Planning	546.50
Public Works - Testwork	1,835.00
Public Works – Report	220.50
Special – Succession - Administration	91.50
Special – Succession - Planning	328.00
Special – Succession - Testwork	239.00
Special – Succession – Report	153.50

Total Hours Audits & Analytical Reviews **4,446.00**

B. Time (HRS) Expended During FY 18 - Projects in Progress

2. Technical Assistance:

PeopleSoft 9.2	8.00
Audit Follow-Up	547.00
Payroll Changes	218.50
Fleet Utilization	149.50
Accela	2.00
Other Technical Assistance	382.00
Total Technical Assistance (in Progress)	1,307.00

3. Other:

Administrative	3,675.00
Holiday	465.00
Leave – Annual	613.75
Leave – Sick	229.00
Leave – OT	22.50
Meetings	320.25
Miscellaneous	224.00
Professional Organizations	165.00
Training	361.50
Bereavement	8.00

Total Other (in Progress) 6,082.00

Total Hours for Projects in Progress 7,389.00

Total Hours (Completed Projects + Projects in Progress) 11,835.00