

February 28, 2017

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

Dear Mayor Krasnoff and Members of the City Council:

We have completed our review of the Traffic and Drainage Pro Rata for January 1, 2016 – December 31, 2016. Our review was conducted for the purpose of evaluating pro rata practices in the City of Chesapeake (City) in all areas that received pro rata payments, any revenue related pro rata issues, and whether the City was complying with applicable department, city, state, and federal requirements and procedures related to pro rata procedures.

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

Pro rata was established by the Commonwealth of Virginia as a method to allow municipalities to have developers construct large water/sewer, and drainage, projects that benefited more than one development and share the cost with each subsequent developer. The City utilized pro rata for the construction of various water/sewer, drainage, and traffic projects within the City. As of September 30, 2016, the City held \$4,860,480 on deposit for drainage pro rata, and \$85,000 for traffic pro rata projects.

To conduct this audit, we reviewed and evaluated City and Department policies and procedures, and operations documents and reports, both internal and external, as well as State code. We also conducted interviews with various Public Works staff and conferred with the City Attorney's office.

Based on our review, we determined that Drainage Pro Rata procedures were functioning as expected. However, we did identify some issues related to tracking the length of time deposits were kept, viability of certain basins, and missing reference to the twelve year refund period in the departmental regulations. Our review of Traffic Pro Rata determined that the program was not in compliance with State Code.

This report, in draft, was provided to the Public Works Department 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. Department management and staff were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

Sincerely,



Jay Poole
City Auditor
City of Chesapeake, Virginia

C: James Baker, City Manager
Robert Geis, Deputy City Manager
Eric Martin, Director, Public Works