



# Audit Services Department 2021 Annual Report

## City Council

Honorable Mayor Richard W. West  
Vice Mayor Dr. John de Triquet  
Council Member Stephen Best  
Council Member Don J. Carey III  
Council Member Robert Ike, Jr.  
Council Member Dwight M. Parker  
Council Member S.Z. Debbie Ritter  
Council Member Susan R. Vitale  
Council Member Dr. Ella Ward

## Audit Committee Members

S.Z. Debbie Ritter, Audit Committee Chairwoman  
Don J. Carey III, Audit Committee Member  
Patrick Corbin, CPA, Citizen Member

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March 9, 2022

Honorable Mayor West and Members of the City Council,

Enclosed is the 2021 Audit Services Department Annual Report that includes both the Department and Audit Committee Activity for the period beginning January through December 2021.

Audit Follow-ups to reports issued in 2020 are also included within this document. To view audit reports please refer to the electronic version by clicking on the report titles included in Attachment A. These titles contain hyperlinks that will automatically direct your computer browser to the reports published on the Chesapeake Audit Services Department Web page.

We would like to thank the staff throughout the City for their cooperation and assistance during the course of our audits and these follow-up reviews. If you need additional information or have any questions, please contact me at (757)382-8932.

Respectfully,



Darren Padilla,  
Acting City Auditor  
City of Chesapeake, Virginia

Attachments

C: Sandy Madison, City Clerk  
Darren Padilla, Acting City Auditor

# 2021 Annual Report

The Audit Services Department completed the [CIBH](#) and [Economic Development](#) audits which were delivered to the City Council on September 28, 2021. The Follow-up Audits for the Police Department, Central Fleet, Selective Hiring and Competitiveness Issues, Small Purchase Policy, and the Cares Act Audits are included in [Attachment A](#).

Audit Services was also successful in managing the external audit contract and working with Cherry Bekaert and the Finance Department to complete the 2021 independent audit of the Comprehensive Annual Financial Report delivered to the Council on December 14, 2021. The independent auditor's unmodified audit opinion is published on pages 1-3 and included in the [FY2021 Comprehensive Annual Financial Report](#).

The Audit Committee met throughout the year. The meeting dates were April 27, 2021, August 8, 2021, September 14, 2021, October 26, 2021, and December 14, 2021. The Audit Plan for FY2021-22 year was approved by the City Council on October 12, 2021.

The Acting City Auditor and City Manager established bi-monthly meetings to promote open communication and coordination between the Audit Services Department and the City Leadership throughout the year.

The Audit Services department continues to manage the Fraud Hotline. There were nine Fraud, Waste, and Abuse complaints. The actions taken as a result of those complaints can be found in [Attachment B](#). All nine were resolved. The staff also continued involvement with the City through committees and ongoing internal audit activity. The allocation of staff hours for all audit activities is summarized in [Attachment C](#).

In accordance with generally accepted government auditing standards, the audit staff completed at a minimum, 40 continuing professional education credits for the following certifications: CIA, CPA, CFE, CRMA, and CICA.

The department continues to evolve with new requirements of the City Council which include co-sourcing arrangements with subject matter experts and specialists. Vacated and unfilled Internal Audit positions provides the source of funding.

Status of the Audit Plan and Administrative responsibilities as of December 2021:

- The Acting City Auditor actively worked to transfer vacancy savings to secure funding for specialists and staffing shortages<sup>1</sup>, as needed. We are in the process of issuing two RFPs to get the level of specialized expertise and experience for the evaluation of Healthcare claims and EMS compliance and billing.
- The FY2022-23 budget for Audit Services was also being prepared for the city deadline of January 6, 2022. The budget process is ongoing.

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<sup>1</sup> Former City Auditor Poole retired effective January 2021. The City Council appointed Deputy City Auditor Padilla to the Acting Position effective February 2021. A Performance Auditor resigned effective August 2021.

- Audit Services prepared and submitted the required narrative for the budget book which aligns the activities of the department with the strategic outcomes of the City Council.
- Preparations were underway for the Audit Follow-ups in December and were completed in the first quarter of the calendar year 2022.
- Audit Services began the audits of the Fire Department's Community Risk Reduction Division (formerly Fire Prevention), Emergency Medical Services, and the co-sourced audit of Healthcare claims.
- Additionally, in December 2021, the Audit Services Department finalized the move from the 5<sup>th</sup> floor of the City Hall Building to the 411 Cedar Road Offices. The department is working with the City Information Technology Department to transfer its electronic records from the old mainframe to the new SharePoint and Microsoft Teams websites dedicated to the Audit Services Department.



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To access Audit Reports published by the Audit Services Department, click onto the URL link below:

[https://www.cityofchesapeake.net/government/city-departments/departments/  
Audit-Services-Department/department-audits.htm](https://www.cityofchesapeake.net/government/city-departments/departments/Audit-Services-Department/department-audits.htm)

## Audit Services Department Mission

The Audit Services Department is an independent arm of the Chesapeake City Council and strives to deepen the public trust and confidence in our City’s ability to remain fiscally responsible and sustainable. Our mission is to assure funds are properly accounted for and reported, and ensure assets are safeguarded by internal controls to prevent mishandling of funds by mitigating fraud, waste, and abuse.



ATTACHMENT A: AUDIT FOLLOW-UPS

The Audit Services Department conducts audits in accordance with generally accepted government auditing standards (GAGAS), which are promulgated by the comptroller General of the United States. As it pertains to audit findings developed during the course of an audit, GAGAS state that “auditors should facilitate follow-up to determine whether corrective actions have been taken.”

This involves an evaluation of whether the audit organization has taken appropriate corrective action to address findings and recommendations from previous audit reports. Typically, audit follow-up engagements include the gathering of sufficient, reliable, and competent evidence to independently assess the action that has been taken.

Providing timely information to city management, the City Council, and the citizens of Chesapeake is a goal of the Audit Services Department. Therefore, there should be a balance between providing management with sufficient time to implement an audit recommendation and performing timely follow-up audit engagements. In addition, the use of limited audit resources is a consideration in determining when and how audit follow-up work is conducted.

Audit follow-up engagements were conducted for the following audits:

Report Number	Audit Title	Issue Date
125	Selective Hiring & Competitiveness Issues – Special Audit	3/5/2020
126	Chesapeake Police Department – Performance Audit	9/15/2020
127	Central Fleet – Performance Audit	9/15/2020
128	Small Purchases – Special Audit	8/31/2020
129	CARES Act – Special Audit	12/4/2020

The following tables address the follow-ups for each of these audits.

## Detailed Follow-up Report – Auditor Determined Status

### 125 [Selective Hiring & Competitiveness Issues Special Audit](#)

Issue Date: 3/5/2020

(Click on the report title to view the full report.)

The purpose of this audit was to evaluate the City’s employment application process and methodology; review the time required to hire new employees; and compare requirements, salaries, and benefits for selected key positions in Virginia’s largest cities. While we did compare positions that appeared to be similar, we did not attempt to evaluate the value of positions based upon job descriptions on a case-by-case basis. The City of Chesapeake had budgeted 3,926.50 full-time equivalents (FTE) employees for the fiscal year 2020. Police, Fire, and Sheriff’s Office had 1,487.90 FTEs. As of FY2020, there were 54 pay grades with 587 positions.

Summary of Findings: We generally found that the City’s application and hiring process was reasonable under most normal circumstances, although we did identify some limited challenges. However, we did note that City employee salaries tended to be clustered at the lower ends of the City’s pay ranges. As a result, their salaries were less competitive than their pay ranges suggested. Also, while the City was generally competitive with its peer cities in Virginia relative to pay ranges taken as a whole, it was less competitive on minimum salaries for certain positions than some of those. Finally, City Departments identified other hiring and competitiveness issues during our audit interviews. These issues included delays in getting classifications updated, screening challenges, and hiring for some seasonal employees.

No.	Audit Recommendations	Management Response to Recommendations	Status
1	<b>Recommendation:</b> The City should consider steps to reduce clustering at the lower ends of its pay ranges to become more competitive.	<b>2022 Response to 1-3:</b> The 2021 Classification, Compensation, and Benefits Study is addressing all audit findings and recommendations. The Public Safety portion of the study was recently completed and as a result, the City Council approved, and the City Leadership implemented a new Public Safety Step Plan effective 1/7/2022. The consultant, Gallagher, is finalizing the General Employee portion of the study as of the date of this follow-up. Gallagher will begin working on the Benefits portion of the study within the next couple of weeks.	Implemented
2	<b>Recommendation:</b> The City should take steps to address the salary issue for positions where it is less competitive.		Implemented
3	<b>Recommendation:</b> The City should encourage the departments and Human Resources to work together to resolve these challenges.		Implemented

## Detailed Follow-up Report – Auditor Determined Status

### 126 [Chesapeake Police Department - Performance Audit](#) (Click on the report title to view the full report.)

Issue Date: 9/15/2020

This audit was conducted for the purpose of determining whether the Chesapeake Police Department (CPD) 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 policies and procedures. We also reviewed and evaluated procedures, practices, and controls of the various divisions of the CPD on a selective basis. All divisions of CPD, including Operations, Administrative, Emergency Communication Center, and Public Safety Training were subject to evaluation.

Summary of Findings: Based on our review, we determined CPD had accomplished its overall mission of providing a variety of 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 timely access issues to obtaining professional mental healthcare specific to the needs of Public Safety-first responders, maintaining adequate staffing levels to address staff challenges caused by retention issues, the aging and continued maintenance of the police fleet, and the deteriorating condition of the training academy and other CPD facilities.

No.	Audit Recommendations	Management Responses to Recommendations	Status
1	<b>Recommendation:</b> CPD should continue its efforts through its Peer Support Team to provide peer support for CPD’s first responders. In support of the CPD’s Peer Support Program effort, the City should consider establishing a focused workgroup to develop and make recommendations to the Council for improving access to mental health care services for first responders.	<b>2022 Response:</b> In concert with other Public Safety operations and City Departments, the Process Improvement team presented a comprehensive proposal to City leadership that included a variety of intervention strategies.  The Police Department remains committed to the mental health and welfare of its personnel. To this end, we are partnering with a research group to pilot a mental health	Partially Implemented



No.	Audit Recommendations	Management Responses to Recommendations	Status
		and wellness program that is targeted for law enforcement.	
2	<p><b>Recommendation:</b> The City Council in coordination with the City Manager is planning a compensation study to address the competitiveness of salaries and compression issues. Consideration should be given to evaluating both the civilian and sworn employees' pay scales and benefits and restructuring them, as necessary, to remain competitive in the Hampton Roads market, both the civilian and governmental. We also recommend that the City develop a process that will allow the CPD as well as other city departments the ability to monitor position turnover and retention rates at the department level. The retention data could be used by CPD as a tool to monitor the staffing levels relevant to their department as future changes are made to address salary compression and benefits. The CPD should also continue monitoring the rate of answered and unanswered calls to monitor the efficiency and effectiveness of 911 citizen responses.</p>	<p><b>2022 Response:</b> A new pay plan was adopted by the City and implemented January 2022. The Police Department did lower the qualification for entry to the CRV program to 4 years.</p>	Implemented

No.	Audit Recommendations	Management Responses to Recommendations	Status
3	<p><b>Recommendation</b> - The City should consider revising the Vehicle Replacement policy to require that first responder vehicles be replaced when the odometer reading reaches 100,000 miles or sooner if a vehicle is considered obsolete and the City continues to spend more money on repair costs than the vehicle's worth.</p>	<p><b>2022 Response:</b> The Central Fleet Management (CFM) was allocated funding to support a 42 vehicle FY22 replacement plan in spite of cost increases and budget constraints. This will result in the surplus and replacement of 6 of 19 vehicles currently in the fleet over 150,000 miles and 16 of 107 vehicles currently in the fleet with 100,000 to 150,000 miles. CPD will continue to work with CFM toward a goal of a 100,000-mile replacement threshold. This will require funding replacements of 45 to 50 vehicles per year for the next five years.</p> <p>Chesapeake Police Officers drove police vehicles a total of 3,832,595 miles during 2021 with an average police vehicle driven 9,169 miles. With over 400 vehicles in our fleet, we must replace at least one-tenth (40) of the fleet every year to stay ahead of the mileages driven. A replacement plan of at least 45 vehicles per year will result in the highest mileage vehicles in the fleet being less than 100,000 miles by FY2028.</p>	Partially Implemented
4	<p><b>Recommendation:</b> The City had plans to move forward on building a new training facility for all of its Public Safety Departments. We recommend that the City continue its efforts as funds become available</p>	<p><b>2022 Response to recommendations 4 and 5:</b> There are plans for a major renovation/addition to the Public Safety building. It is a Capital Budget item that is</p>	Planned but not yet implemented

No.	Audit Recommendations	Management Responses to Recommendations	Status
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and consider all of the Training Academy needs when planning and designing the new training facilities.

working its way through the governmental process.

- 5 Recommendation:** The City should place a priority in addressing all of the facility needs to address space limitations in the 1<sup>st</sup> Precinct and Evidence Room. Consideration should also be given to reconfiguring the unutilized space where the City’s original 911 Call Center was located and incorporating that space into the plans of the new architectural design of the Public Safety Building.

## Detailed Follow-up Report – Auditor Determined Status

### 127 [Central Fleet - Performance Audit](#)

Issue Date: 9/15/2020

(Click on the report title to view the full report.)

The performance audit of Central Fleet Management (CFM) was performed as part of the 2019-2020 approved Annual Audit Plan. Our review was conducted to evaluate whether Central Fleet Management was providing services in an economical, efficient, and effective manner; whether its goals and objectives were being achieved; and whether it was following City and departmental procedures in its handling of surplus property, fixed assets, fuel issues, contracts, staffing, and fuel site safety and security issues.

Summary of Findings: Based on our audit, we determined CFM had accomplished its overall mission of providing essential services that improved the operational effectiveness and efficiency of the City’s various departments. However, we did identify several areas of concern that needed to be addressed. Those areas included the handling of surplus property, fuel fobs, and fixed assets. Also, there were issues with fuel billings, staffing, contracts, and safety concerns.

No.	Audit Recommendations	Management Responses to Recommendations	Status
1	<p><b>Recommendation:</b> All agreements between the aforementioned entities* should be reduced to writing using a Memorandum of Understanding (MOU) to capture the rights, duties, obligations, terms, and intentions of all the parties involved, and identify remedies for breach of the agreement.</p> <p>*Airport Authority, Chesapeake Schools, Mosquito Control, and Cedar Manor</p>	<p><b>2022 Response:</b> MOUs were established for Mosquito Control and Chesapeake Schools. The MOU for the Airport is in progress.</p>	Partially Implemented
2	<p><b>Recommendation:</b> CFM should follow the procedures outlined in City Ordinance Sec. 54-96 - Procedure and Purchasing Manual Section,</p>	<p><b>2022 Response:</b> CFM is waiting for the Public Procurement Division’s final re-write of Purchasing’s disposal process.</p>	Planned, not yet implemented

No.	Audit Recommendations	Management Responses to Recommendations	Status
	<p>13.0 for the transfer and disposal of surplus property. In addition, the City should develop an Administrative Regulation for the disposition of surplus property.</p>		
3	<p><b>Recommendation:</b> We recommend that Central Fleet Management (CFM) develop and implement documented standard operating procedures for fixed asset processes. Fixed assets should be set up in PeopleSoft within 30 days from the date of receipt. The physical verification of fixed assets should be done at least once each year. Fixed asset list for (CFM) and Finance department should be kept in agreement to the extent practical. Asset tag numbers should be attached to City equipment when received.</p>	<p><b>2022 Response:</b> The department will be able to document the process with the additional staff.</p> <p>CFM is currently following Finances' procedures for fixed assets. CFM is now processing assets in the Peoplesoft System within 30 days of receipt of the asset. Physical verification of assets is also taking place each year. Asset tag numbers are now entered into the AssetWorks software system, then to the service department to affix onto the equipment.</p>	Planned, not yet implemented
4	<p><b>Recommendation:</b> We recommend that CFM develop and document a standard operating procedure (SOP) regarding the security, control, usage, verification, and issuance of fuel fobs. Also, CFM should improve controls over unissued fobs, maintenance of inventory records, and periodic verification of fobs and improve segregation of duties as it relates to the issuance of fobs.</p>	<p><b>2022 Response:</b> Departmental fuel fob inventories were initiated beginning January 2021 beginning in 2021. Additional info on fuel fobs, reports and responsibilities were communicated during the Fleet User's Group meetings in 2021. CFM is projecting to rewrite the CD 4.21 Customer Handbook by December 2022.</p>	Partially Implemented

No.	Audit Recommendations	Management Responses to Recommendations	Status
5	<p><b>Recommendation:</b> Central Fleet Management should work with the agencies they bill to develop a consistent billing schedule.</p>	<p><b>2022 Response:</b> A consistent billing schedule was implemented on October 1, 2021.</p>	Implemented
6	<p><b>Recommendation:</b> Central Fleet Management should consider establishing a process review system. The review process should include:</p> <ul style="list-style-type: none"> <li>• Reviewing Central fleet’s SOPs</li> <li>• Adding surveillance cameras to cover the Garage grounds,</li> <li>• Ensure information is maintained in vehicles such as the owner’s manual to describe starting the vehicle; turning on lights, and other items.</li> </ul> <p>*The process review system entails updating SOPs, installing cameras on the grounds, and tracking employees authorized to operate city vehicles.</p>	<p><b>2020 Initial Response:</b> CFM has plans to review and update Fuel site signage. An authorized user list will be prepared for industrial equipment [located in the CF garage.] All maintenance and inspections of fuel sites are documented in logbooks kept in the Fleet Safety Specialist’s office.</p> <p><b>Issues addressed:</b> Generator inspections are facilitated through Facilities’ contractor, Carter Machinery, quarterly and preventative maintenance is applied annually. A new emergency shutoff switch checklist has been created for an annual test [for emergency generators at each fuel site.] CFM will review State Inspection sticker safeguards.</p> <p>CFM does not have a staff member that reviews video daily, much like all of the other video surveillance systems in the city. Video is reviewed in instances where the property is destroyed at the fuel site. It is also reviewed for verification of fueling transactions, or because a department has requested the footage.</p> <p>CFM double-checked and all motor pool vehicles <i>do</i> have operators manuals in them,</p>	Partially Implemented

No.	Audit Recommendations	Management Responses to Recommendations	Status
		<p>and all vehicles issued to departments are issued with operator manuals.</p> <p>CFM is willing to train employees how to operate the Motor Pool vehicles – the employee just needs to ask.</p>	
7	<p><b>Recommendation:</b> Central Fleet Management should work with Purchasing and Information Technology to streamline its procurement process for vehicle equipment and repairs.</p>	<p><b>2022 Response:</b> Central Fleet worked with Purchasing to implement a broad scope multi-award contract in March of 2021 for maintenance and repair for various trucks and equipment to streamline the procurement process.</p> <p>Central Fleet continues to provide management with quarterly usage reports through the Fleet User Group meetings. Additionally, each department has access to the AssetWorks system for vehicle information.</p>	Implemented
8	<p><b>Recommendation:</b> Central Fleet Management should review these safety items and address them as appropriate.</p> <p>Consider:</p> <ul style="list-style-type: none"> <li>Installing an alarm switch connected to Emergency Dispatch.</li> <li>Developing a training program, where practical, for all City vehicle drivers on fire extinguisher operation and emergency response actions.</li> </ul>	<p><b>2022 Response:</b> New signage shows the location of the emergency fuel site [shut]off[s], all missing hammers [for fire extinguishers have been] replaced, signs [have been] placed on all dispensers [to show how to respond to] fuel spills, and who to contact. Emergency fuel shut-off testing is conducted every year and the logbook is updated. Reflective tape is placed on all vent tubes and emergency fuel shut-off switches for better visibility. Two more emergency eyewash stations have been added</p>	Partially Implemented

No.	Audit Recommendations	Management Responses to Recommendations	Status
	<ul style="list-style-type: none"> <li>• Reviewing signage for emergency shutoff switches, spill response, and fire equipment.</li> <li>• Developing controls that mitigate bollard, underground tank vent piping, and other equipment damage.</li> <li>• Testing emergency shutoff switches periodically.</li> <li>• Placing supplies to clean up fuel spills at each fuel site.</li> <li>• Placing instructions on how to handle an emergency fuel spill at each station.</li> </ul>	<p>to the garage. Work orders have been opened SEVERAL TIMES with facilities for leaking canopies. OSHA policy is that all employees shall be trained on fire extinguishers. It is the responsibility of each department to conduct this training. No clean-up material has been placed at fuel sites because of misuse and abuse; the City offers six classes each year for employees covering chemical spills and proper clean-up procedures. Alarm switches have not been installed [at the fuel sites] to notify emergency dispatch of a fuel spill. Each fuel site is inspected every week to include cleaning of any spills.</p>	
9	<p><b>Recommendation:</b> Central Fleet Management should consider developing a process for an independent method of fuel inventory.</p> <ul style="list-style-type: none"> <li>• Consideration should be given to change the frequency for calibrating fuel pumps from five years to three years and have all seals in each fuel pump change at the time of calibration.</li> <li>• Install an alarm on each fuel tank fill cap so that CF is notified when fuel tank caps are accessed.</li> </ul>	<p><b>2022 Response:</b> Fuel tank access caps [located on the ground] are inspected weekly and documented on our weekly inspection report. We'll look at the feasibility of installing alarms [to notify CFM when the cap has been opened.] Pump calibration frequency has been changed to occur every three years. Pump calibration tests and results will be kept in logbooks in the Fleet Safety Specialists Office.</p>	Partially Implemented



No.	Audit Recommendations	Management Responses to Recommendations	Status
	<ul style="list-style-type: none"> <li>• Develop and document an SOP that outlines the fuel replenishment process from beginning to end.</li> <li>• Develop and document an SOP that outlines the fuel pump calibration process.</li> </ul>		
10	<p><b>Recommendation:</b> When the current fiscal condition improves consideration should be given to adding additional administrative staff to improve required operational responsibility.</p>	<p><b>2022 Response:</b> Implemented on 7/1/2021.</p> <ul style="list-style-type: none"> <li>• CD 4.21, CFM Customer’s Handbook, is being updated/reviewed by the Fleet User’s Group with an anticipated completion date of December 2022.</li> </ul>	Implemented

## Detailed Follow-up Report – Auditor Determined Status

### 128 [Small Purchases - Special Audit](#)

Issue Date: **8/31/2020**

(Click on the report title to view the full report.)

The audit was conducted to determine whether the City was complying with the Small Purchase Policy and to determine if management oversight and contract management practices were operating as intended. This policy addresses procurements for unsealed proposals for goods and services valued at \$5,000 or more but less than \$100,000.

Based on our review, we determined that the City was generally compliant with the Small Purchases Policy. However, we identified concerns with the implementation and oversight.

No.	Audit Recommendations	Management Responses to Recommendations	Status
1	<b>Recommendation:</b> The City should explore opportunities to ensure staff receives adequate training on the new Small Procurement Policy.	<b>2022 Response</b> – Purchasing Office implemented Small Dollar Purchases Training on November 5, 2020. Due to COVID 19, a training course was not held in 2021 but is available and On-Demand on the City Point Purchasing website.	Implemented
2	<b>Recommendation:</b> Purchasing should develop a plan to monitor contract total cost on a citywide basis. Purchasing should coordinate with Finance to include a field for contract numbers in account strings for PeopleSoft voucher entries. Additionally, Purchasing should frequently monitor Citywide cumulative payments to vendors. Finally, Purchasing should coordinate with departments to ensure that it is notified	<b>2022 Response:</b> Purchasing has been coordinating with the IT Department the reimplementation of the PeopleSoft contracts module. The coordination has included scheduling a consultant to assess and provide an estimated cost to reimplement the PeopleSoft contracts module. Due to other IT maintenance and projects, a reimplementation of the PeopleSoft contracts module has been placed on	Planned, not yet implemented

No.	Audit Recommendations	Management Responses to Recommendations	Status
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whenever a contract for another department is used, to ensure that the total contract costs are tracked.

hold (see attached IT Maintenance and Projects list/update).

## Detailed Follow-up Report – Auditor Determined Status

### 129 [CARES Act – Special Audit](#)

Issue Date: 12/4/2020

(Click on the report title to view the full report.)

The CARES Act audit was conducted to determine whether the City was providing oversight and compliance in an economical, efficient, and effective manner; whether CARES Act goals and objectives were being achieved; and whether the City was complying with applicable Federal, State, City, and Department guidelines.

On June 9, 2020, the City Council approved an emergency appropriation of \$21,360,910, representing Chesapeake’s allocation of CARES Act funding received from the State. Funding was intended to cover CARES act expenses during the period of March 1, 2020, through December 30, 2020, directly related to City operations under Novel Coronavirus Disease 2019 (COVID-19). A second allocation of \$21,360,910 on September 8, 2020.

Summary of Finding: While the City was generally following existing Federal guidance on the allowability of CARES Act payroll costs, the possibility did exist that, in the future, oversight agencies might have different interpretations of that guidance. (The final CARES Act guidance had not yet been released at the time this audit report was issued.)

No.	Audit Recommendation	Management Response to Recommendation	Status
1	<b>Recommendation:</b> The city should ensure that it maintains the referenced documentation for how it determined that costs charged against the CARES Act were for substantially dedicated employees.	<b>2022 Response:</b> The City followed the CARES Act guidance in place as the directions from the Department of Treasury evolved. Documentation was attached to the charges to characterize the nature of the expenditures. If the expenditure was of a nature that proved to be complex as stipulated in the CARES Act guidance, a request was made of the City Attorney to provide an opinion as to the eligibility before the CARES Act funds were charged. In addition, at times, the City’s external auditors, Cherry Bekaert, LLC were contacted to provide confirmation that the City’s interpretation was in alignment with their expectations.	Implemented

No.	Audit Recommendation	Management Response to Recommendation	Status
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Regarding payroll and benefits that were deemed to be CARES Act eligible, the final guidance from the Department of Treasury was significantly clearer than their original guidance and their subsequently issued questions and answers. The City relied on this final guidance in coordination with other research. This guidance is now incorporated in the official Federal Register, Volume 86, No. 10 and excerpted below. It is believed that this final guidance was published after the internal audit report was finalized and thus provides additional confirmation that the payroll and benefits charged are eligible expenditures under the Act. Importantly, as the guidance was being published and the City was analyzing the eligibility of the charges, the City Attorney’s office not only provided an opinion but also called the Treasury directly to confirm the opinion and answer some lingering detailed questions. This telephone conversation was documented by the City Attorney’s office and has been attached to the payroll expenditures journal entry deemed eligible under the Act.

As the time period for expenditures has lapsed, it is not expected that the Final Guidance as published in the Federal Register will change.

### ATTACHMENT B: FRAUD, WASTE, AND ABUSE HOTLINE REPORT

During Fiscal Year 2021 we received nine complaints through the City’s Fraud, Waste, and Abuse Hotline (Hotline). The Hotline was created by the City in Fiscal Year 2006 utilizing the City’s Customer Contact Center and its 382-CITY telephone number. In July of 2006, a State Law took effect that required the City Auditor to authenticate (i.e., evaluate the validity of) all complaints received on the Hotline and provide an annual report on the status of complaints received to the City Council. These complaints were as follows:

Complaint Number	Status of Complaint	Investigated & resolved? (Yes/No)
<b>1</b>	This complaint was related to a City Fire Marshal making a false arrest outside the City’s jurisdiction, this complaint was unfounded. It was referred to the Fire Department and the City Attorney.	Yes
<b>2</b>	This complaint was related to a citizen receiving a fraudulent letter supposedly from the City Treasurer’s office. It was referred to the City Treasurer.	Yes
<b>3</b>	This complaint was related to a personal legal real estate issue. We advised the complainant that it was outside the City’s jurisdiction.	Yes
<b>4</b>	This complaint was related to a stolen debit card spoke to the complainant about the situation. It was referred to Police.	Yes
<b>5</b>	This complaint was related to Motorcycle Unit within the Chesapeake Sheriff’s Office. It was referred to the Sheriff’s Office.	Yes
<b>6</b>	This complaint was related to a citizen who did not receive an Absentee Ballot in the mail to vote. It was referred to the Voter Registrar.	Yes
<b>7</b>	This complaint was related to railroad spikes missing from a railroad track on Kempsville Road. It was referred to Public Works who contacted the Railroad company.	Yes
<b>8</b>	This complaint was related to sewage backup in the backyard of the citizen. This was referred to Public Utilities.	Yes
<b>9</b>	This complaint was related to a 50-gallon uncovered drum of oil with runoff. This was referred to Fire Prevention.	Yes

We also received approximately 12 complaints directly through emails from one citizen on various topics. All Hotline complaints indicated above, and direct email complaints were investigated, all citizens were contacted, and their complaints were resolved.

ATTACHMENT C: ALLOCATION OF STAFF HOURS

<b>1. PERFORMANCE &amp; SPECIAL AUDITS:</b>	
CENTRAL FLEET -TESTWORK	204.00
CENTRAL FLEET - REPORTING	445.50
POLICE DEPT - TESTWORK	23.00
POLICE DEPT- REPORTING	418.75
SMALL PURCHASING AUDIT - REPORTING	33.00
CARES ACT - PLANNING	200.00
CARES ACT - TESTWORK	218.50
CARES ACT - REPORTING	178.50
ECONOMIC DEVELOPMENT - ADMIN	10.00
ECONOMIC DEVELOPMENT - PLANNING	272.50
ECONOMIC DEVELOPMENT - TESTWORK	696.25
ECONOMIC DEVELOPMENT - REPORTING	191.00
CIBH - ADMIN	182.00
CIBH - PLANNING	358.00
CIBH - TESTWORK	654.75
CIBH - REPORTING	247.25
<b>2. TECHNICAL ASSISTANCE:</b>	
PEOPLE SOFT 9.2	8.00
SECURITY & SAFETY	18.00
PUBLIC PROCUREMENT TASK FORCE COMMITTEE	3.50
TECHNICAL ASSISTANCE	19.00
CYBERSECURITY	13.50
<b>3. OTHER:</b>	
ADMINISTRATIVE	4,420.25
HOLIDAY	704.00
LEAVE - ANNUAL	474.50
LEAVE - SICK	330.50
MEETINGS	451.00
MISCELLANEOUS	210.75
PROFESSIONAL ORGANIZATIONS	275.00
TRAINING	579.25
LEAVE - OT	-
BEREAVEMENT	26.00
<b>TOTAL STAFF HOURS</b>	<b>11,866.25</b>