



AUDIT SERVICES DEPARTMENT

ANNUAL STATUS REPORT

JULY 1, 2006 THROUGH JUNE 30, 2007

DATE OF PREPARATION: AUGUST 31, 2007

August 31, 2007

The Honorable Dalton S. Edge and
Members of the City Council
City of Chesapeake
City Hall - 6th Floor
Chesapeake, Virginia 23328

Dear Mayor Edge and Members of the City Council:

Enclosed is the Audit Services Department's Annual Status Report for the period July 1, 2006 to June 30, 2007. The following is a summary of some of the report's highlights.

A. COMPLETED PROJECTS

1. Audits and Analytical Reviews

We completed performance and special audits of Purchase Order Limits, Citywide Credit Cards - 2005, Parks & Recreation, Fair Labor Standards Act, and Emergency Communications. These audits were conducted for the purpose of determining 1) whether services were being provided in an economical, efficient, and effective manner, 2) whether stated goals and objectives were being achieved, and 3) whether City policies and contracts were being complied with. The reports contained recommendations which we believe will improve operations, reduce costs, or otherwise enhance the department's operations.

- The Purchase Order Limits audit evaluated City compliance with recently amended Administrative Regulations on purchasing requirements. The report contained three recommendations, all of which the City agree to implement.
- The Citywide Credit Cards audit evaluated citywide credit card policies and practices. The report contained four recommendations, all of which the City agreed to implement.
- The Parks & Recreations audit evaluated overall compliance with City policies as well as opportunities for operational improvements. The report contained six recommendations, five of which the department agreed to implement.

- The Fair Labor Standards Act audit evaluated Overtime practices for employees who recently became eligible to earn overtime under new FLSA requirements. The report contained one recommendation and the City agreed to implement it.
- The Emergency Communications audit evaluated the City's 911 emergency dispatcher operations. The report contained four recommendations, three of which the department agreed to implement.

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

2. Technical Assistance

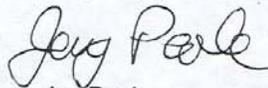
We provided technical assistance to the City and its affiliated organizations on 3 projects. Of these the most significant was as follows:

- Community Services Board – We assisted the Community Services Board in evaluating controls over incoming revenue and deposit items.

B. PROJECTS IN PROGRESS

At year-end, we were working on performance audits of the Sheriff's Department, Fire Department, and follow-up reviews of fiscal year 2005 and prior year performance and special audits, as well as Year End work associated with the City's FY 2006 financial audit. The SPSA technical assistance projects are likely to continue for some time.

Very truly yours,



Jay Poole
City Auditor
City of Chesapeake, Virginia

c: William E. Harrell, City Manager

CITY OF CHESAPEAKE, VIRGINIA

AUDIT SERVICES DEPARTMENT
ANNUAL STATUS REPORT
JULY 1, 2006 TO JUNE 30, 2007

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A. SUMMARY
AUDITS & ANALYTICAL REVIEWS

Managerial Summary

A. Introduction, Background, and Scope

We have completed our audit of Administrative Regulation 4.12 - Purchase Order Limits for the period July 1, 2005 to September 30, 2005. The purpose of this audit was to evaluate whether the City of Chesapeake (City) was complying with the requirements of Administrative Regulation 4.12 (Regulation), which delegated authority to Department and Agency heads to purchase supplies or services from qualified vendors totaling \$4,999.99 or less without the direct submission of a requisition to the Purchasing Division of the General Services Department. The Regulation was developed as part of the implementation of the City's new PeopleSoft Financial Management System. The scope of the audit included reviews of compliance with competition requirements, requirements related to splitting of orders, and feedback on the system from key users. The review was conducted in accordance with Government Auditing Standards and included such tests of records and other procedures as we deemed necessary in the circumstances.

According to the City's training materials the "PeopleSoft Financial Management System" is an internet-based software application that gives organizations the tools that they needed to increase organizational effectiveness and manage and administer their workforces more effectively and more strategically. The City implemented the system effective July 1, 2005. The acquisition budget for the system, including hardware, software, and training costs, was \$6,469,765.

As part of Audit Services' FY 2006 audit plan, we agreed to audit the City's compliance with the Regulation. To conduct this audit, we reviewed 107 purchase orders under the \$5,000 limit that had been submitted to Finance for processing. We also reviewed 494 purchases that had been processed without using purchase orders both for compliance and to assess whether departments were splitting purchases to avoid competition requirements. Finally, we interviewed a number of key users within the departments to get their overall perspective on the system.

Responsible officials during our review were:

Nancy Tracy – Director of Finance
William Broome – Director of General Services
Victor Westbrook - Purchasing and Contracts Manager
Donna Hildebrand – Accounting Manager

A draft copy of this report was provided to Finance and General Services staff, and their comments have been considered in the preparation of the final report. Finance and General Services concurred with most of the report's recommendations and have already begun implementing some of them. Their comments have been included in Appendix A.

Based upon our review, it appeared that the City was generally complying with the requirements of the Regulation. We noted that Finance had processed purchase orders that were under the \$5,000 limit without any competition exceptions. We also noted that City departments tended to utilize City and State contracts to the greatest extent possible when making purchases, even if purchase orders were not used.

While our overall assessment of compliance with the Regulation was positive there were some areas where practices could be improved. We noted that 27 of the 494 non-purchase order voucher transactions had not been properly subjected to competition, even though it appeared that there were City contracts that could have been created or adapted for some of them. We also found two instances of split ordering, one of which resulted in a duplicate payment. Finally we noted that, although users were reporting progress in their utilization of the system, they were still experiencing difficulties in understanding and processing transactions.

We would like to extend our appreciation to the City's staff from the following departments for their assistance with this project: Finance, General Services, Police, Fire, Sheriff, Community Services Board, Public Works, Public Utilities, and Economic Development. They provided us with a great deal of insight as to how the Regulation was impacting the City.

B. Operational Findings

As we noted, it appeared the City was generally complying with the requirements of the Regulation. However, while our overall assessment of compliance with the Regulation was positive, there were some areas where practices could be improved. These areas included competition on non-purchase order vouchers, split orders, and user concerns about the system.

1. Competition on Non-Purchase Order Vouchers

Finding – We noted that City departments had not properly sought competition on 27 (out of 494) non-purchase order voucher transactions.

Recommendation – Competition should be sought on all purchases where required, and the City should take steps to ease the purchasing process for some of these purchases.

Purchasing's Response - The audit findings reflect many of the concerns we have expressed regarding the procurement process under the decentralized arrangement created during the PeopleSoft implementation. That arrangement created a separate process for purchases up to \$4,999.99, and that process does not require Purchasing's

participation or approval. Most of the transactions cited in the audit were in that category.

The full text of the department's response is included in the audit report.

2. Split Orders

Finding – In reviewing purchases for transaction splitting, we identified one instance where competition had not been sought as required and another instance where a vendor was paid twice for the same invoice.

Recommendation – In addition to specifically addressing issues associated with these two transactions, the City should periodical review the PeopleSoft database for similar transactions.

Finance's Response - The strength of the PeopleSoft system is in the built-in internal controls delivered in the software. A system control exists specifically to prevent invoices from being paid twice inadvertently by not allowing users to pay an invoice to the same vendor with the same number. To circumvent the system to pay this invoice, the user added the letters INV to the invoice number because the system rejected the original attempt to pay the invoice the second time.

The full text of the department's response is included in the audit report.

3. User Concerns

Finding – Several of the larger departments that were key users of the PeopleSoft system were still experiencing difficulty using and understanding the system.

Recommendation – The City should continue to make addition training opportunities available to users on the system.

Response - The Finance Department agrees with that finding and has implemented many different strategies to assist all departments and users that were experiencing some difficulties to assist in resolving their challenges with the new system.

The unique difficulty that presented itself to the City users was that the PeopleSoft web based program moved the City forward toward new technologies several generations ahead of the mainframe software program previously used by the City. This software moved the City to current best business practices. This generation of software will keep the City current on new technologies for a longer period of time and allow the City to save monies from avoiding as many additional implementations. However, this does provide challenges for employees that are not currently using web based browser software at a high level of ease. The Finance Department identified this problem long before go live, and prepared a presentation to inform department heads of the various training options and set up several strategies to ease the transition.

The full text of the department's response is included in the audit report.

Managerial Summary

A. Objectives, Scope, and Methodology

Pursuant to a request from City Council, Audit Services has reviewed the use of credit cards under the City's various credit card programs during Calendar Year 2005. Our review was conducted for the purpose of determining whether the cards were being utilized in accordance with existing City regulations. The review was conducted in accordance with Government Auditing Standards and included such tests of records and other procedures as we deemed necessary in the circumstances.

As of February 2006, the City had three different credit card programs. The first program was a Travel Card program in existence since the 1980s that was governed by the City's Official Travel Regulations and was supposed to be used for travel purposes only. The City also had a Business Card program created in 2003 that was governed by the City Credit Card Policy and Procedures and was supposed to be used predominantly by department and division heads for business purposes. In November 2004, the City began a "pilot" program using Purchasing Cards that could be used by a wide variety of employees for business purposes. While each card user had to sign a form agreeing to certain rules developed by the Purchasing Division of General Services (Purchasing Division), the City did not have a formalized policy that governed these purchases. We noted that there were 12 travel cards (all within the City Manager's Office and Economic Development), at least 25 Business Cards, and 239 Purchasing Cards.

Major Observations and Conclusions

Based on our review, we did not identify any instances of significant noncompliance with the two formalized policies. However, we did identify a number of significant control and operational concerns related to credit card practices in the City as a whole. The existence of three different types of credit cards and their related policies led to a high degree of confusion over how the rules governing each should be applied. The two formalized policies were general in nature as they related to credit cards and were not comprehensive enough to adequately control credit card purchases made under them. Several users were given what appeared to be unnecessarily high credit limits. Finally, City departments had not been sufficiently assigned responsibility for managing and controlling their own credit card purchases.

We recommend that the three credit card programs be consolidated into one program with one set of requirements that govern all credit card purchases. We will also encourage the City to develop more specific guidance for card purchases, including proceeding with a planned task force that evaluates the reasonableness of business meals and similar expenses and makes recommendations as to the allowability of these items, so that confusion over enforcement can be eliminated. We also recommend that limits be lowered on some of the higher limit cards to reduce the risk of misuse associated with them. Finally, we recommend that departments take on a greater role in enforcing the revised credit card procedures.

This report, in draft, was provided to the City Manager's Office for response and their comments have been considered in the preparation of this report. These comments have been included in the Managerial Summary, the Audit Report, and Appendix A. City staff members, particularly those in the Finance Department and Purchasing Division, were very helpful throughout the course of this audit, and we appreciate their courtesy and cooperation on this assignment.

B. Administrative and Operational Issues

1. Number of Credit Card Programs

Finding - The City had three different credit card programs, and this led to confusion over rules governing the individual programs. Also, no one in the City was keeping track of all of the cards issued.

Recommendation – The City should consolidate its three card programs into one program with one set of requirements that governed all credit card purchases, and should also create a comprehensive list of all card users.

Response – The City will implement a comprehensive single purchase card program in the near future governing card usage including the draft Administrative Regulation for Chesapeake Purchase Card (P-Card) Procedures Manual. The existing Administrative Regulation 1.17 will be rescinded, as will the existing fuel credit cards. A comprehensive list of card holders will be maintained at the Purchasing Division of General Services.

2. Guidance within Existing Credit Card Programs

Finding - The guidance provided by the City's existing credit card policies was not sufficiently comprehensive to adequately control credit card purchases.

Recommendation – The City should provide more specific guidance on allowable or unallowable purchases in future credit card policies. The City should also proceed with a planned task force evaluation of certain food and meals-related card charges.

Response - The draft Administrative Regulation for Chesapeake Purchase Card (P-Card) Procedures Manual enumerates clearly disallowed and unsupported uses.

Further, the Administrative Regulation contains clear consequences for failure to follow the Manual including employee reimbursement, disciplinary procedures to include potential termination.

Regarding use of credit cards for food purchases, an Administrative Regulation is under development by the Department of Human Resources that clarifies appropriate purchases with public funds, including those paid by credit cards.

3. Credit Card Limits and Cash Advances

Finding – At least eight employees were given credit cards authorizing purchases of \$25,000 to \$100,000 dollars. Also, some employees were authorized to receive cash advances against their cards.

Recommendation – Limits should be lowered on credit cards with unnecessarily high balances. Also, future cards should eliminate the option of obtaining cash advances.

Response – Since March 6, 2006 all P-cards have been suspended except travel cards. The draft Administrative Regulation for Chesapeake Purchase Card (P-Card) Procedures Manual stipulates the maximum expenditure limit of \$4,999.99 including \$2,500 for travel unless specifically authorized in writing by the City Manager. The draft Administrative Regulation specifically prohibits cash advances via P-cards.

4. Departmental Review of Credit Card Purchases

Finding - City departments had not been sufficiently assigned responsibility for management and control of their own credit card purchases prior to their submission to the Finance Department.

Recommendation – City Departments should take a greater role in reviewing credit card purchases internally.

Response – The draft Administrative Regulation for Chesapeake Purchase Card (P-Card) Procedures Manual mandates clear accountability, roles and responsibility within user departments at each level and for the Finance and General Services Departments which will administer the card program.

Managerial Summary

Introduction, Background, and Scope

We have completed an audit of the City of Chesapeake's (City) Parks and Recreation Department (Parks & Recreation) for the period July 1, 2005 to June 30, 2006. The purpose of this audit was to evaluate whether the Department was providing services in an economical, efficient, and effective manner; achieving its goals and objectives; and complying with applicable City procedures in its handling of cash, revenues, payrolls, expenditures, fixed assets, safety, staffing, and other areas. The audit was conducted in accordance with Generally Accepted Governmental Auditing Standards and included such tests of records and other audit procedures as we deemed necessary. Parks and Recreation management and staff were very helpful, cooperative and professional throughout the audit.

Background

To conduct the audit, we analyzed concerns of Parks & Recreation's preparation of a separate budget for Recreation Enterprise and Northwest River Enterprise. In addition, we also analyzed the need for Parks and Recreation management to develop a system to measure the economic benefit for existing and future Parks and Recreation Programs. The Parks and Recreation management and staff were very helpful, cooperative and professional throughout the audit.

Parks and Recreation employed a work force of approximately 91 full-time and 31 part-time employees. Their budget for fiscal year 2006 exceeded \$8.4 million dollars and accounted for 1.09% of the City's budget.

Major Observations and Conclusions

Based on our review, we found that Parks and Recreation generally had sound practices and procedures which complimented their overall mission. In addition, Parks and Recreation has made substantial progress in utilizing automated systems to monitor recreational programs and maintenance activities. However, we did identify some areas where practices could be enhanced. The recreation program system needed system enhancements. Many of the community centers did not have air-conditioning in the gymnasiums and the water tank system at Northwest had extensive corrosion.

This report, in draft, was provided to Parks and Recreation 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. Parks and Recreation management and staff were very helpful throughout the course of this audit, and we appreciate their courtesy and cooperation on this assignment.

Performance Information

Parks and Recreation meets the diverse needs of a growing population with a variety of recreational, social, and cultural activities and is responsible for maintaining City parks and grounds. A City Council-appointed Citizen Advisory Board helps direct and provide guidance for the operation of the Recreation, Parks, Athletics, Community Center, Senior/Special populations, and Leisure programs divisions of the Department. This advisory board also reviews and endorses the Department's annual operating budget. The Recreation Program function coordinates year-round recreational activities related to athletics, education, and health for the citizens of Chesapeake. Northwest River Park provides the citizens of Chesapeake with year-round outdoor leisure activities for enjoyment, relaxation, environmental education and improved health.

1. SAFARI System

Finding - The Athletic Programs Group was unable to register participants and record their deposit fees in the SAFARI software system for athletic sporting events. Instead, athletic sporting events registration and deposit fees were collected and manually recorded by the athletic staff and forwarded to the Parks and Recreation central office.

Recommendation - Parks and Recreation should continue to work with the vendor on the system enhancements for the collection of revenue for athletic sporting events and the recordation of participants.

Response - The original League Scheduling Module of the SAFARI system did not meet the requirements of the Parks and Recreation Department Athletic Programs Group staff. However, the vendor has developed a new replacement application that will be available to us at a lower cost that resolves the issues of concern to the staff. It is in the demo phase at this time but is expected to be implemented within the next twelve months.

2. Northwest River Park

Finding – The water tanks at Northwest River Park were corroded. The corrosion was particularly extensive on the underside of the tanks where moisture had collected and condensed. The corrosion existed on both the storage tank and the pressurized primary tank. A number of the supporting structures and connecting pipes were deteriorating as well.

Recommendation – We recommend that Parks and Recreation ensure that the tank replacement is a top priority on their repair list and include the cost of replacement of the water tanks in the FY 2007 capital budget. The replacement of the tanks should ensure that the costs will not escalate due to replacement/repair and damages caused by their failure.

Response - On October 10, 2006, \$140,000 was appropriated by City Council for replacement of the water system. Following receipt of bids, an additional \$20,000 was appropriated on February 13, 2007 to provide sufficient funding for this project.

3. Community Centers

Finding – We noted that the Community Center buildings were 15 to 30 years old and needed repairs and/or renovations.

Recommendation – Parks and Recreation should work with Facilities Management to develop a list of repairs and renovations that need to be made to the Community Centers.

Response - The 2007-2008 capital budget includes \$550,000 to air condition the five community center gyms currently without air. This was one of our top priority renovation needs. In regards to a list of repairs and renovations, recreation staff does a yearly inspection of the community centers interiors and exteriors (including grounds). Representatives from housekeeping, facility maintenance and grounds are asked to attend. A list of needed repairs is prepared at that time. We have asked them about the possibility of a maintenance schedule in regards to painting and are waiting on a response.

E. Enterprise Funds

1. Combining of Recreation Enterprise and NWRP Enterprise

Finding - Parks and Recreation is currently preparing separate enterprise budgets for Northwest River Park and Recreation.

Recommendation - Parks and Recreation should consider submitting a combined budget to the Budget Office for Northwest River Park and Enterprise Funds.

Response - Discussions on this matter continue with the Departments of Budget and Finance. Our concern is that it is absolutely necessary for internal management purposes that the data be maintained separately as is currently the case. We are willing to submit a combined budget for reporting purposes so long as the data is separately maintained and separate reports are available internally.

F. Community Centers versus YMCA

Finding - The Great Bridge and Indian River Community Centers were approximately 30 years old. Parks and Recreation staff at Great Bridge and Indian River were concerned that they could lose patrons to the YMCA because the YMCA had more updated equipment.

Recommendation - The City and Parks and Recreation may wish to consider developing a partnership with the YMCA for the Great Bridge and Indian River Community Centers that allows them access to some of the YMCA's facilities and/or programs.

Response - Community Centers versus YMCA – Due to the large difference in the membership rates to use our facilities versus the YMCA rates, it is unclear how much they would want to partner with us to allow our members to use their facilities. However, it is certainly an idea that staff can explore in the future. Currently we are concentrating on ways we can reduce Enterprise budget expenses to enable us to be able to update the equipment in our weight rooms.

G. Economic Benefit

Finding - Parks and Recreation had not developed a methodology to measure the economic benefit of the events it sponsors.

Recommendation - Parks and Recreation should develop a methodology to measure the economic benefit of the events it sponsors. This methodology should be generic enough so that it can be used for a wide variety of events.

Response - After meeting with Audit several times on this, it was determined there are a few events that we can track whether a participant is or could be staying in a hotel (Dock dogs, Chesapeake Bike Race, Paddle for the Border). However, the majority of the events draw thousands of people (Bark in the Park, American Indian Festival, Eggstravanza, etc.) and it could not be determined how you could measure this....assuming any participants visit these events from outside the Hampton Roads, northern North Carolina area.

We are certainly willing to meet with Economic Development as you suggest if they have suggestions for capturing revenue and visitors for events.

Managerial Summary

A. Introduction, Background, and Scope

We have completed a special audit of the City of Chesapeake's Fair Labor Standards Act (FLSA) practices for the period July 1, 2005 to June 30, 2006. The purpose of this audit was to evaluate the impact on the City of certain FLSA revisions. These revisions allowed certain employees who were previously considered exempt to become eligible for overtime payments. We reviewed departmental practices to ensure 1) these employees were designated as eligible for overtime, and 2) the impact of this additional overtime on the City's overtime costs. The audit was conducted in accordance with Governmental Auditing Standards and included such tests of records and other supporting documentation as we deemed necessary in the circumstances. A review was made of relevant internal control structures, compliance testing was performed, and sufficient competent evidential matter was gathered. The Finance, Fire, Human Resources, and Information Technology staffs were helpful, cooperative, and professional throughout the audit and we wish to thank them.

The United States Department of Labor (Department of Labor) issued new FLSA guidelines on the definition of exempt and non-exempt positions that became effective on August 5, 2004. Based upon the change in guidelines, the Human Resources Department (Human Resources) conducted a compliance audit in the early summer of 2004 on all exempt classified positions including First Responders. As a result of this compliance audit and a new legal interpretation of First Responders, Human Resources reclassified seventeen exempt positions to non-exempt positions eligible for overtime compensation.

Major Observations and Conclusions

We looked at overtime costs for Fiscal Years 2004, 2005, and 2006 for the City, focusing on the reclassified jobs and their associated overtime costs. We also reviewed the highest overtime earners and departments for the periods under review and evaluated their criterions for determining who receives overtime.

We found that 9 of the 17 reclassified positions had incurred overtime costs during FY 2005 and FY 2006. Total overtime paid out of these positions was \$467,022 in FY 2005 and 1,052,883 in FY 2006. Individually, reclassified employees were paid as much as \$31,359 in FY 2005 and \$61,600 in FY 2006 for overtime. With the exception of \$840 in FY 2005 for two Human Services Team Leader positions, all of the overtime costs were incurred in the Fire and Police Departments.

This situation appears to be the result of staffing issues. For example, we noted that \$796,722 of the FY 2006 overtime was incurred in the Fire Department. In reviewing Fire Department staffing, we noted that the Department had 33 vacancies between June 2004 and December 2005. In many cases, the overtime was necessary to adequately staff Fire Stations and vehicles. Also, as of January 2007, the Police had 54 vacant positions.

B. Changes to Non Exempt Positions

The Department of Labor issued new FLSA guidelines on the definition of exempt and non-exempt positions that became effective on August 5, 2004. Based upon the change in guidelines, the Human Resources Department (Human Resources) conducted a compliance audit in the early summer of 2004 on all exempt classified positions including First Responders.

As a result of this compliance audit and a new legal interpretation for First Responders, Human Resources reclassified seventeen exempt positions to non-exempt positions eligible for overtime compensation. On August 23, Human Resources notified all department and agency heads of positions that had changed status. Listed below are the positions affected by the change.

Finding - Almost all of the overtime incurred as a result of the changes in the FLSA occurred in public safety-related First Responder position. Vacancies in the public safety area appeared to be a contributing factor to the overtime.

Recommendation - The City should continue to attempt to reduce the number of vacancies in the Fire and Police Departments.

Response - In response to our conversation regarding the FLSA Audit, my office has taken steps to work with the departments to fill their vacancies and potentially offset some of the overtime costs being incurred in the City. We will continue to assist these departments by developing innovative approaches for recruitment and retention.

Additionally, I concur with your recommendation to modify the TeleStaff programming in the Fire Department to deliver a more equitable distribution of overtime hours and to seek call back responses from non-ranked staff members to further address some of the rising costs of overtime.

Managerial Summary

A. Objectives, Scope, and Methodology

We have completed our review of the Chesapeake Police Department's Public Safety and Emergency Communications Section (Emergency Communications) for December 18, 2006 to March 30, 2007. Our review was conducted for the purpose of determining whether Emergency Communications was providing services in an economical, efficient, and effective manner, whether its goals and objectives were being achieved, and whether it was complying with applicable City and Department procedures in areas of payroll, safety, information technology, recruitment, turnover, operations, and grants management. The review was conducted in accordance with Government Auditing Standards and included such tests of records and other audit procedures as we deemed necessary in the circumstances.

Emergency Communications provided essential services within the 353 square miles of the City of Chesapeake. Primary Emergency Communications services included providing communications services to a variety of professionals such as Law Enforcement, Fire Services, Animal Control, Emergency Medical Services, Civil Defense, and Civil Services, as well as the general public and Emergency Communication support services for various State and Federal agencies. Emergency Communications was responsible for maintaining and using multiple telecommunication systems including Computer Aided Dispatch (CAD), Graphic Information System (GIS), radios, E911 mapping system, fire alerting system, radio tower/system alarms, ANI/ALI E911 telephone call identification and locating system, voice logging recorders, City alarm system, 800 MHz radio control monitor, emergency backup CAD, training stations and numerous other systems as well as updating and maintaining the Virginia Crime Information Network data base. During Fiscal Year 2005-2006, Emergency Communications received 309,333 incoming calls, of which 168,575 were emergency 911 calls; Emergency Communications handled 178,385 outgoing calls and 7,823,467 radio transmissions.

For Fiscal Year 2005-2006 Emergency Communications had an operating budget of \$3,430,164 and an authorized compliment of 70 personnel, 68 of which were dispatcher/call taker positions and 2 of which were the Lieutenant and an IT Technician. Additionally, a Police Sergeant and a part time Communications Specialist position were assigned to Emergency Communications from the Police Department budget. Emergency Communications received funds from Federal, State, and City sources. Emergency Communications was located within the Police Department Headquarters in Great Bridge.

Major Observations and Conclusions

Based on our review, we determined Emergency Communications had accomplished its overall mission of providing emergency communications services to the Police and Fire Departments, and the citizens through the hard work and dedication of its dispatchers. However, we did identify several significant issues that needed to be addressed. In the short term, Emergency Communications needed to address staffing shortages, streamline the hiring process, take steps to enhance working conditions, and address GIS deficiencies related to the new CAD system. Longer term, the City needed to seriously consider relocating Emergency Communications to another department where its technology and environment issues could be more easily addressed.

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

B. Staffing Shortages and Working Conditions

Finding – Recommendation - We recommend that Emergency Communications take immediate action to attempt to hire sufficient qualified candidates to bring Emergency Communications up to the total number of authorized full time equivalents (FTEs) and develop a contingency plan in the advent that the current staffing level drops below the functional minimum. Steps should also be taken to improve working conditions.

Recommendation - We recommend that Emergency Communications take immediate action to attempt to hire sufficient qualified candidates to bring Emergency Communications up to the total number of authorized full time equivalents (FTEs) and develop a contingency plan in the advent that the current staffing level drops below the functional minimum. Steps should also be taken to improve working conditions.

Response - In Section B. Staffing, Shortages and Working Conditions, the second paragraph states the staffing requirement was set at 30 people per day. This is incorrect as the minimum staffing requirement is 27 persons per day composed of 10 each for day and evening shift and 7 for midnight shift. While the minimum staffing level is 27, a staffing level of 30 is suggested to allow personnel to take meal breaks, restroom breaks and perform necessary administrative duties (i.e., cycle sheets, training evaluations, etc.). Without the addition of 1 person per shift, the inability or very decreased capability for personnel to have meal or restroom breaks only adds to the stress and environmental discomfort. Without the additional person, administrative duties would have to be performed on overtime after normal work hours, again adding to discontent. Additionally, scheduling at minimum staffing levels was attempted, but only caused more severe issues when personnel who called out had to be replaced by keeping someone over from the previous shift. This meant employees had to work

unplanned double shifts as a common practice. (The remainder of the Police response is included in the full audit report.)

C. Hiring Process

Finding - Emergency Communications' hiring process was not as streamlined as it could be.

Recommendation - Emergency Communications management should develop and implement a streamlined hiring process. In addition, recruitment efforts should be expanded to increase the population of quality candidates.

Response - The audit report states that our hiring process takes between 4 and 9 months which is not consistent with the actual times (Auditor's Note: The report language has since been revised) A. While the hiring process taken one piece at a time may take months, several parts are often combined or overlap to cut the actual hire time as much as possible. (The remainder of the Police response is included in the full audit report.)

D. GIS Deficiencies

Finding – Emergency Communications identified significant GIS deficiencies related to the new CAD system that had not been corrected.

Recommendation – We recommend that, in the short term, sufficient GIS resources be designated to work with Emergency Communications management to resolve all GIS issues immediately. In the long term, Emergency Communications needs to have a dedicated GIS resource that places the needs of Emergency Communications as its first priority.

Response - In Section D, we completely agree there are GIS issues which need to be immediately addressed, the Police Department needed additional GIS resources before the implementation of the new CAD system and still, has substantial GIS issues related to the new CAD system that must be resolved. The Police Department requested a position that would handle GIS and specific related CAD/GIS tasks in the last 3 years of budget requests. In the budget request, we outlined the issues that would result without direct and dedicated GIS support. The Police Department was not granted that position, nor was the GIS support position approved for any other department. As such, we worked with City GIS personnel that were not dedicated to E911 GIS issues and did not have the best working knowledge of how the CAD would work or of how GIS issues would affect public safety responses. In the proposed budget for Fiscal Year 2007-2008, there are 2 GIS positions that would assist with E911 & CAD issues. One of the GIS positions, although assigned to the City's Information Technology Department, would be for direct support of E911 GIS issues. Until that time, we will need to work on as many of the GIS issues as possible.

E. Realignment and Relocation of Emergency Communications

Finding – It did not appear that the continuation of Emergency Communications operation within the Police Department was an optimal organizational structure.

Recommendation – The City should strongly consider transferring responsibility for Emergency Communications to another area, such as Information Technology, or a similar entity, that will ensure sufficient technological support for Emergency Communications.

Response - Section E is a recommendation to realign and relocate Emergency Communications. First, the basis for the recommendation appears to be biased as the only two managers that the Auditor states meeting with both are civilian managers over emergency communications centers falling under non-public safety departments. I consider both of these managers to be friends of mine, respect their opinions and am confident that neither of them would state that Chesapeake Emergency Communications is any less effective or efficient than their own centers. I believe equal time should have been given to managers under public safety departments. If that had been done, I believe the audit would have shown there to be just as many valid reasons for Emergency Communications to remain as either under a public safety department or realigned as an independent public safety department. (The remainder of the Police response is included in the full audit report.)

B. SUMMARY
TECHNICAL ASSISTANCE

RFP Motor Fuel Credit Cards – September 2006

We provided technical assistance to the City in evaluating whether to obtain special motor fuel credit cards. Because the additional administrative cost exceeded the potential savings, we recommended against participating in the program.

Small Asset Management System Application Project – September 2006

We provided technical assistance to the City in evaluating the risks and benefits of various small asset management systems.

Community Services Board – June 2007

We provided technical assistance to the Community Services Board in evaluating controls over incoming revenues and cash deposits.

C. SUMMARY
OTHER PROJECTS

Training – FY 2007

We attended the following Professional Training Sessions during FY 2007:

- ACL – Detecting Fraud Using ACL
- ACL – Understanding & Investigating Patterns in Data
- VSCPA – Accounting and Auditing Day
- IIA – Search Engines Facilitating Business Goals
- ALGA - Regional Training
- VSCPA – Information Technology Day
- IIA – District Conference
- VSCPA – Tax Day
- IIA – Forensic Interview & Interrogations
- IIA – 2006 Tax Law Update
- IIA – Expert Witness Testimony
- IIA – Computer Aided Auditing Techniques
- VLGAA – 2007 Spring Conference
- IIA – Fraud Examiners Conference
- KPMG – Government Accounting Overview & Update
- ALGA – Annual Conference

We attended the following City Training Sessions during FY 2007:

- Career Exploration & Transition
- Humor in the Workplace
- So, You Want to be a Supervisor
- New Employee Orientation/Fish Philosophy
- Get Fit for Coaching
- Workplace Violence Prevention
- Managing Challenging Attitudes
- Ethics in Action
- The 7 Habits of Highly Effective People
- Give'em the Pickle
- Myer Briggs Type Indicator
- Managing Change – Who Moved My Cheese?

Professional Organizations

For the last eight years, we have served as editors of the Virginia Local Government Auditors Association (VLGAA) newsletter. This newsletter is distributed on a quarterly basis to approximately 100 members of the VLGAA and contains news and information about local government auditing. One auditor is active in the Association of Local Government Auditors and serves as the National Chair for its Advocacy Committee. Another employee is the President of the local chapter of the Association of Certified Fraud Examiners.

D. SUMMARY
PROJECTS IN PROGRESS

Sheriff's Department

The Sheriff's Department audit was in progress at year end. Because of new state guidelines, we will be required to conduct a special review of internal controls over revenue in the Sheriff's Office.

Fire Department

The Fire Department audit was in progress at year end. The audit will include an evaluation of overtime practices within the department.

Follow-up Review

The Follow-up Review of FY 2005 and prior year performance and special audits was in progress at year end and finalized during the month of August.

Year End Testing

Audit Services was completing year-end testing for FY 2006 in our normal areas including Cash, Inventories, Budget, Personal Property Tax Assessments, Auxiliary Funds, Conflicts of Interest, Retirement Systems & Payroll Compliance, Economic Development Opportunity Funds, Comprehensive Service Act Funds, and Sheriff Internal Controls/APA Manual.

E. FRAUD HOTLINE

FRAUD, WASTE, AND ABUSE HOTLINE REPORT

During Fiscal Year 2007, we received four complaints through the City's Fraud, Waste, and Abuse Hotline (Hotline). The Hotline was created by the City in FY 2006 utilizing the City's Customer Contact Center and its 382-CITY telephone number. In July of 2006, a State Law took effect that required the City Auditor to authenticate (i.e., evaluate the validity of) all complaints received on the Hotline and provide an annual report on the status of complaints received to the City Council. These complaints were as follows:

Complaint #1 – This citizen complaint was a resubmission of a land lien complaint that had been addressed at the end of FY 2006. For this reason, we chose not to authenticate the complaint in the new fiscal year.

Complaint #2 – This anonymous complaint alleged inappropriate use of City equipment. After a brief investigation, we were able to authenticate the complaint, and the matter was forwarded to the Chesapeake Police Department and the Commonwealth Attorney's Office for further action.

Complaint #3 – This citizen complaint involved alleged personal use of a City vehicle. After investigating the complaint, we determined that the employee involved was a field employee who had appropriately been assigned a City vehicle to carry out his field construction inspection duties. Therefore, we did not authenticate the complaint and no further action was taken.

Complaint #4 – This citizen complaint also involved alleged personal use of a City vehicle. After investigating the complaint, we determined that the employee involved was an on-call employee who was responsible for maintaining electronic toll equipment the year and needed to utilize the City equipment in the truck. Therefore, we did not authenticate the complaint and no further action was taken.

F. SUMMARY

TIME (HOURS) EXPENDED DURING YEAR

A. COMPLETED PROJECTS - AUDITS & ANALYTICAL REVIEWS

Citywide Credit Cards - Administrative	93.25
Citywide Credit Cards - Testwork	29.50
Emergency Communications - Administrative	108.00
Emergency Communications - Planning	885.50
Emergency Communications - Testwork	312.75
Emergency Communications - Reporting	225.00
Fair Labor Standards Act - Administrative	172.00
Fair Labor Standards Act - Testwork	230.25
Fair Labor Standards Act - Reporting	3.75
Parks & Recreation - Administrative	144.25
Parks & Recreation - Testwork	89.75
Parks & Recreation - Reporting	222.50
Purchase Order Limits - Administrative	90.75
Year End 2006 - Cash Counts	34.50
Year End 2006 - CSA	105.00
Year End 2006 - DDS Security Awareness	84.00
Year End 2006 - E911	52.50
Year End 2006 - Inventories	84.75
Year End 2006 - Payroll	151.75
Year End 2006 - Real Estate & Personal Property Taxes	41.00
Year End 2006 - Tax Assessment	129.75
Year End 2006 - Unclaimed Property	58.50
Year End 2006 - VDOT	1.00

B. COMPLETED PROJECTS - TECHNICAL ASSISTANCE

Community Services Board	128.50
RFP Motor Fuel Credit Cards	2.00
Small Asset Management System Application Project	8.00

Total Hours - Completed Projects	<u>3,488.50</u>
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C. PROJECTS IN PROGRESS - AUDITS & ANALYTICAL REVIEWS

Fire Department - Testwork	277.00
Follow-up Review (2005) - Administrative	4.25
Follow-up Review (2005) - Planning	126.25
Fraud Complaint	79.75
Sheriff's Department - Administrative	2.00
Sheriff's Department - Planning	338.75

Year End 2007 - Budget Appropriation Laws	2.50
Year End 2007 - Cash Counts	39.00
Year End 2007 - Inmate Canteen & Auxiliary Funds	14.75
Year End 2007 - Inventories	16.50
Year End 2007 - Property Tax & Receivables	20.25
Year End 2007 - Sheriff Internal Controls/APA	49.50

D. PROJECTS IN PROGRESS - TECHNICAL ASSISTANCE

Project Link Steering Committee	1.25
Purchasing Cards	5.00
SPSA - Litigation Support	<u>357.75</u>

Total Hours - Projects in Progress	<u>1,334.50</u>
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E. OTHER

ACL	37.25
Administrative	2,283.25
Annual Status Report	7.75
Holiday	341.25
Leave - Annual	348.25
Leave - Compensatory	128.00
Leave - Sick	164.50
Leave Without Pay	84.25
Meetings	57.75
Miscellaneous	38.00
Peer Review - Kansas City	61.00
Professional Organizations	488.75
Semi-Annual Status Report	8.50
Training	494.50

Total Hours - Other	<u>4,543.00</u>
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Total Hours	<u><u>9,366.00</u></u>
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