



## **AUDIT SERVICES DEPARTMENT**

# **ANNUAL STATUS REPORT**

**JULY 1, 2012 THROUGH JUNE 30, 2013**

**DATE OF PREPARATION: SEPTEMBER 09, 2013**

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

September 9, 2013

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

Dear Mayor Krasnoff and Members of the City Council:

Enclosed is the Audit Services Department's Annual Status Report for the period July 1, 2012 to June 30, 2013. The following is a summary of some of the report's highlights.

A. Completed Projects

1. Audits and Analytical Reviews

We completed performance audits of the Human Services and Parks and Recreation Departments. These audits were conducted for the purpose of determining whether they were providing services in an economical, efficient, and effective manner, whether the goals and objectives were being achieved, and whether they were complying with applicable City and Departmental procedures. We also completed a follow up review on two audit reports issued in FY 2012 and earlier. 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 eight projects. Of these, the most significant was related to the City IT modernization and Kronos/Munis payroll projects. We also completed ten fraud hotline investigations.

3. Projects in Progress

At year-end, we were continuing performance audits of the Sheriff's Department, Police Department and Kronos Timekeeping system. Currently, we continue to provide ongoing technical assistance on projects related to the City's new Human Resources Information System and Public Utilities Billing System implementations.

Sincerely,

A handwritten signature in cursive script that reads "Jay Poole".

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, 2012 TO June 30, 2013**

Table of Contents

<u>Contents</u>	<u>Page</u>
A. Summary – Audits and Analytical Reviews	1
Follow-up Review – Library	3
Follow-up Review – Public Procurement	9
Follow-up Review-Central Fleet	15
Follow-up Review-Economic Development	23
Follow-up Review-American Recovery Reinvestment Act	32
Human Services Department	36
Parks and Recreation Department	43
B. Summary – Audits in Progress, Technical Assistance, and Training	51
Police Department	51
Sheriff's Department	51
Kronos	51
Technical Assistance Projects	52
Training and Other	53
C. Fraud Hotline	55
Fraud, Waste, and Abuse Hotline Report	56
D. Time (Hours) Expended	57
Completed Projects	58
Projects in Progress	59
Other	59

**A. SUMMARY**  
**AUDITS & ANALYTICAL REVIEWS**

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

January 31, 2013

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

Dear Mayor Krasnoff and Members of the City Council:

We have completed our follow-up of the Library, Public Procurement, Central Fleet, Economic Development and American Reinvestment & Recovery Act for Fiscal Year 2012. These prior year audits were selected to evaluate the status of recommendations that had not been fully implemented. The reviews were conducted in December 2012. The status of 30 open recommendations from these reports was as follows:

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

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

Sincerely,

Jay Poole  
City Auditor  
City of Chesapeake, Virginia

C:James E. Baker, City Manager

# **FOLLOW-UP REVIEW**

## **LIBRARY**

### **SPECIAL AUDIT**

**REPORT ISSUE DATE: JUNE 2010**

**FOLLOW-UP REVIEW DATE: DECEMBER 2012**

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

**Audit Services Department  
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January 31, 2013

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

Dear Mayor Krasnoff and Members of the City Council:

We have completed our follow-up review of the Central Library. The review was conducted in December 2012. As of that date, the status of the report's five open recommendations was as follows:

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

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

Sincerely,

Jay Poole  
City Auditor  
City of Chesapeake, Virginia

C: James E. Baker, City Manager

**FOLLOW-UP REPORT**  
**PUBLIC LIBRARY**  
**PERFORMANCE AUDIT**  
**December 2012**

Table of Contents

<u>Contents</u>	<u>Page</u>
E2 Condition of Library Facilities	5
F1 System Security Procedures	5
G1 Formal Non-profit Agreement	6
G3 Foundation Accounting Process	6
H1 Inventory Spot Checks	7

## **E2. Condition of Library Facilities**

**Finding** – The Library’s building facilities had a number of unresolved maintenance requests, and there was no centralized system to monitor the status and frequency of service requests.

**Recommendation** – The Library should work with Facilities Management to 1) complete open maintenance requests and 2) develop a more efficient centralized internal maintenance request system that could summarize maintenance requests and provide follow-up information in a timely fashion.

**Response** – The Library will work with General Services to develop a comprehensive long-range facilities maintenance plan for the system. The plan will also include a replacement cycle for furniture, wall coverings, painting, upholstery, carpet, and other needed renovations on an ongoing basis. The Library facilities, with almost two million visits per year, must have a designated budget and replacement cycle for the interiors that coincides to the life cycle of the item.

**2011 Status-** This recommendation has not yet been implemented. The Library is still in the process of working with Facilities Management in order to implement a more efficient centralized maintenance request system for repairs, maintenance and follow-up.

**2012 Status** – This recommendation has been partially implemented. The Library was planning to utilize Proffer funding to for items related to technology upgrades. It had originally hoped to utilize these funds for other maintenance projects such as power washing of buildings, cleaning of carpets, and future termite infestation control. The Library is continuing to work with Facilities Maintenance order to implement a more efficient centralized maintenance request system for routine maintenance items, as well as identify a long- term funding source for them.

## **F1. System Security Procedures**

**Finding** – Security procedures and system access and software controls related to information technology needed to be enhanced. In addition, the Library IT staff was not adequately trained to extract data from the library’s automated systems and was not provided with a test environment to manipulate data outside the production environment.

**Recommendation** – The Library should take steps to enhance its security procedures and system access and software controls related to information technology operations.

**Response** - The IS Department maintains innovative, current, secure, efficient, and cost effective technology that keeps the Chesapeake Library System in the forefront of library technology. Our technology stands a cut above our contemporaries in the Hampton Roads area. CPL was the first Library to introduce Wi-Fi to our patrons, content filtering as required by law, fully compliant RFID self-checkout, PC reservation and print management.

**2011 Status-** This recommendation has been partially implemented. The Library has worked with the Information Technology Department in implementing and updating the department’s

systems. They are working with the IT Department to establish a separate energy source or generator for the main server which they do not currently have.

**2012 Status** – This recommendation has been partially implemented. The RFID system is working as designed. However, the Library is attempting to obtain a backup generator for the main server. The Library had not received it as of January 2013.

### **G1. Formal Nonprofit Agreement**

**Finding** – The City did not have a formal agreement with the Friends of the Library (FOL) or the Chesapeake Public Library Foundation (Foundation) that authorized the Library to use City resources to handle financial transactions on behalf of the FOL or the Foundation.

**Recommendation** - The City should obtain formal signed agreements with the FOL and the Foundation that authorizes use of City resources to collect funds, sign checks, and handle cash or process financial transactions on their behalf.

**Response** – The Library will develop a written Memorandum of Understanding between both the Friends of the Library and the Chesapeake Public Library Foundation and the City authorizing City employees to handle their funds. The Memorandum will specifically outline the responsibilities of both parties according to the auditor’s recommendations. Donations to the Friends of the Library are now strictly controlled following the Auditor’s recommendations.

**2011 Status-** This recommendation is in the process of being implemented. The memorandum of understanding has been drafted however it has not yet been signed by the authorized persons.

**2012 Status** – This recommendation will not be implemented. Members of the Friends of the Library Board decided not to pursue a formal agreement with the Library at this time.

### **G3. Foundation Accounting Process**

**Finding** – The accounting process for the Chesapeake Public Library Foundation (Foundation) lacked adequate segregation of duties. In addition, donations received at library locations were not always deposited within three days from receipt.

**Recommendation** – The Library should ensure that adequate segregation of duties is included in the accounting process. In addition, the Library should develop documented procedures for handling donations made to the Foundation.

**Response** - The Foundation Treasurer has access to the accounts online and reviews all statements on a monthly basis. The Foundation Treasurer is an authorized signer for the Foundation checking account. The individual signing the checks reviews all supporting documentation and initials/dates the material provided before signing the check.

**2011 Status-** This recommendation has been partially implemented. The Foundation currently does not have another person in place for the separation of these duties. They do have an

additional backup person to sign checks, and they also have an Independent Auditor to review the records.

**2012 Status** – This recommendation has been implemented. The Library has implemented an appropriate segregation of duties and no person within the Library is authorized to sign checks. A recent audit from an external CPA firm did not note any material weaknesses in internal control for the Foundation’s accounting operations.

## **H1. Inventory Spot Checks**

**Finding** – The Library did not have a formalized process for spot checking inventories, and was not optimizing its use of RFID scanners and labels.

**Recommendation** – The Library should develop a more formalized process for spot checking inventories, and should explore methods of optimizing its use of the RFID scanners.

**Response** – During the past year the Library implemented the new RFID system, tagged over half a million items, and implemented self-check. The self-check has been enormously successful with a current 95 percent use rate. The savings in staff time has allowed the Library to keep pace with the large increases in use over the past year with a reduced staff. The Library is excited and intrigued by the possibilities of inventory management that RFID offers, but has not yet had time to pursue. We look forward to the opportunity to fully explore the options mentioned by the Auditor, as well as other possible applications.

**2011 Status-** This recommendation has not been fully implemented. The RFID system has been implemented however, it is not working as needed. The Library is outsourcing the cataloging feature, and they have also implemented a centralized buying system which helps them identify and purge older books that have not been requested within the past two years, allowing them to bring in a newer updated genre of books.

**2012 Status** – This recommendation has been implemented. The RFID system is working as designed. Purchased materials are received wrapped with the RFID labels and discs detailing the items are included, which allows the Library to efficiently add newly acquired materials to their inventory. The Library utilizes the RFID system as a deterrent to theft and is looking to add cameras for additional security of inventory.

**FOLLOW-UP REVIEW**

**PUBLIC PROCUREMENT**

**PERFORMANCE AUDIT**

**REPORT ISSUE DATE: JUNE 2010**

**FOLLOW-UP REVIEW DATE: DECEMBER 2012**

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

**Audit Services Department  
306 Cedar Road  
Post Office Box 15225  
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January 31, 2013

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

Dear Mayor Krasnoff, and Members of the City Council,

We have completed our follow-up review of the Public Procurement. The review was conducted in December 2012. As of that date, the status of the report's four open recommendations was as follows:

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

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

Sincerely,

Jay Poole  
City Auditor  
City of Chesapeake, Virginia

C: James E. Baker, City Manager

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

**December 2012**

Table of Contents

<u>Contents</u>	<u>Page</u>
C4 Contract Administration Policies and Procedures	12
D1 Changes in Management Oversight	12
D2 Purchase Order Creation and Management	13
D3 Conflict of Interest Procedure	13

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

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

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

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

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

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

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

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

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

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

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

**2012 Status –** This recommendation has not yet been implemented. While Public Procurement continues to function as a stand-alone entity, it has not yet been given full departmental status.

The uncertainty has had an adverse impact on the function's ability to carry out its assigned responsibilities

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

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

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

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

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

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

## **D3. Conflict of Interest Procedure**

**Finding** - Public Procurement did not have any written policies and procedures that defined and emphasized the need to avoid conflicts-of-interest.

**Recommendation** - Public Procurement should develop policies and procedures that address the need to avoid conflicts-of-interest.

**Response** - All staff members will be required to sign an Ethics in Public Contracting Employee Agreement in accordance with the Virginia Public Procurement Act stating that they fully understand and agree to comply with the provisions of the policy and that violation of this policy will be subject to disciplinary action, up to and including termination.

**2011 Status-** This recommendation is in the process of being implemented. Written policies and procedures concerning avoiding conflicts of interests will be included in the manual that is expected to be completed January 2012. It will require each employee to read and sign an Ethics in Public Contracting Employee Agreement in accordance with the Virginia Public Procurement Act.

**2012 Status** - This recommendation is still in the process of being implemented. This information will be included in the policies and procedures manual upon its completion.

# **FOLLOW-UP REVIEW**

## **CENTRAL FLEET**

### **SPECIAL AUDIT**

**REPORT ISSUE DATE: MARCH 2011**

**FOLLOW-UP REVIEW DATE: DECEMBER 2012**

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

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

January 31, 2013

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

Dear Mayor Krasnoff, and Members of the City Council,

We have completed our follow-up review of the Central Fleet. The review was conducted in December 2012. As of that date, the status of the report's eight open recommendations was as follows:

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

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

Sincerely,

Jay Poole  
City Auditor  
City of Chesapeake, Virginia

C: James E. Baker, City Manager

**FOLLOW-UP REPORT**  
**CENTRAL FLEET**  
**PERFORMANCE AUDIT**  
**December 2012**

Table of Contents

<u>Contents</u>	<u>Page</u>
C1 Work Flow and Fuel Control Issues	18
C2 Fuel Inventory Control	18
C3 Fuel Credit Cards	19
C4 Fuel Site Safety and Security	19
D1 Parts and Equipment Inventory Control	20
D2 Repair Contracts	21
D3 Volume of Small Purchases	22
D4 Identity Theft Protection	22

## **C. Work Flow and Fuel Control Issues**

### **1. Work Flow and System Deficiencies**

**Finding** - The workflow processes utilized by Central Fleet for vehicle assignment, chipkey issuance, and mileage verification were not sufficiently controlled to ensure the accuracy of vehicle, fuel, and odometer information. In addition, user departments were less than satisfied with the accuracy of vehicle and equipment reports produced by Central Fleet's InfoCenter system.

**Recommendation** - Central Fleet should continue to take steps to improve its workflow processes and the reliability and usefulness of vehicle reporting data.

**Response** - Central Fleet Management (CFM) agrees with the finding. The accuracy of the data in the InfoCenter reporting module is due, in part, to incorrect mileage data entry when employees fuel their vehicles. With FuelFocus, the mileage will be captured in the system electronically from the vehicle's on-board computers. There are still equipment in the fleet that don't have on-board computers to track miles/hours; this means we'll have to use fueling keys to identify those pieces and to activate the pumps to refuel, such as for: lawnmowers, hand-held power tools, and some off-road construction equipment. However, CFM is able to run exception reports on the use of the new fueling keys to track usage. The operators will still be responsible for entering the actual mileage or hour-meter reading for that equipment, if appropriate, to insure accurate information in our database for reporting. The new fueling system will also use the employee ID cards to track who is fueling which vehicle, and reports may be run on that data to monitor fuel distribution.

**2012 Status** – This recommendation has been implemented. Central Fleet Management has been able to automate vehicle data reporting, with the limited exception of older vehicles which do not have on-board computers to track miles/hours due to their age, and items such as lawn mowers, hand-held tools and some off-road construction equipment. However all vehicle with model years 2000 or later were equipped with the new automated reporting devices.

### **2. Fuel Inventory Control**

**Finding** - Although Central Fleet accumulated the data necessary for a perpetual inventory of gasoline and diesel fuel, fuel inventory reconciliations were only being performed annually. Additionally, the levels of diesel and gasoline fuel inventory were inaccurate because the methods of measuring fuel were inaccurate.

**Recommendation** - Central Fleet should perform more frequent reconciliations of fuel inventory based on the EPA requirements. Additionally, it should ensure the methods of measuring the actual fuel inventory are accurate.

**Response** - Central Fleet Management agrees with the findings. There is no local, state, or federal requirement for non-commercial fuel sites to calibrate their equipment. However, it does make good business sense to accurately track fuel distribution. CFM will explore the costs associated with regularly calibrating the fuel pumps and TLS systems and determine if it is cost

effective. Central Fleet's fuel reconciliations will be moved up from annual inventory checks to quarterly inventory checks with the eventual goal of performing fuel reconciliations monthly. Spreadsheets of the fuel inventories and journal entries accounting for differences will be maintained electronically on the garage servers.

CFM's cost to repair the unreadable totalizers on four fuel pumps is \$1,000. Additionally, the cost to calibrate the fuel pumps at all fueling sites is \$2,500. This cost does not include fees to adjust pumps out of calibration. Additional fees would depend upon the reasons for pumps being out of calibration.

**2012 Status** - This recommendation is in the process of being implemented. All pumps have been analyzed, and Central Fleet has replaced five pumps and identified ten other pumps that have issues that are being addressed. The pumps are under a five year contract for replacement, predicated on funding. Central Fleet now performs calibrations of random pumps on a monthly basis. Information Technology will be installing Netcards which will automate the reading of fuel. The new calibration system is in test phase at the central garage and should be installed at all locations in the first quarter of 2013. All data lines will be scheduled to be removed thereafter.

### **3. Fuel Credit Cards**

**Finding** - Fuel Credit Card distribution within the City was not sufficiently centralized. In addition, many of the fuel credit card transactions did not have adequate supporting documentation. Also, some cards were used for local fuel purchases.

**Recommendation** - The City should eliminate all fuel credit cards and have new credit cards issued through Public Procurement, to establish one centralized distribution point.

**Response** - Central Fleet Management agrees with this finding. CFM notified all departments, in our September 2006 Fleet News and at our October 7, 2010 Fleet User's Group Meeting, that Central Fleet's fuel company credit cards will be canceled on January 31, 2011. Departments have been working with Purchasing to obtain P-cards for those individuals needing to purchase fuel when traveling. The Sheriff's Department recently obtained an extension of the January 31<sup>st</sup> deadline to get their P-cards in place. The Sheriff's Department will have their program in place by February 28<sup>th</sup> at which point all of the fuel credit cards will be deactivated.

**2012 Status** – This recommendation has been implemented. All Central Fleet fuel company credit cards have been cancelled and P-Cards are now being utilized.

### **4. Fuel Site Safety and Security**

**Finding** - The safety and security of the fueling sites needed improvement. Spill Prevention, Control, and Countermeasure (SPCC) plans for the fuel sites were not readily accessible and were not clearly marked. The fuel nozzles were not routinely tested to ensure automatic shut

off when vehicle/equipment tanks were full. There was no automated emergency services notification in the event of a spill. Also, a heavy rainfall contaminated two in-ground fuel tanks.

**Recommendation** - Central Fleet should take steps to improve the safety and security of the fuel sites.

**Response** - Regarding the Spill Prevention, Control, and Countermeasure (SPCC) Plan, Part 40 of the Code of Federal Regulations (CFR) 112.3 states, "the plan must be available for on-site review by the Regional Administrator during normal working hours." All of our inspectors interpret that to mean that the SPCC plan is to be available at the City Garage, not the individual fueling stations. Signs are posted at the fuel sites informing the operator what to do in case of a spill. Central Fleet will look at the signs to see what improvements can be made to increase their visibility. CFM is in the process of removing the old, unused, SPCC boxes at the fueling sites; all boxes should be removed by the end of this week.

CFM will research to see if an alarm notification can be incorporated into the fuel island's hardware upgrade with the FuelFocus program.

There is no Local, State or Federal requirement to test the automatic shutoff features on fuel nozzles. Operators are responsible to notify the Garage when nozzles fail, and most operators do; when notified, the Garage sends a Fleet Road Call technician to replace the nozzle. Manpower shortages limit CFM from testing all 62 nozzles on a regular basis.

The Public Works Department schedules the annual training on spill prevention. Central Fleet will ask them to invite all users of the City's fueling sites to participate in the training if space and funding allows. Additionally, CFM will incorporate some spill prevention training in quarterly Fleet User's Group meetings.

CFM's cost to repair the damaged bollards at the fuel sites is \$2,400. We will determine if sufficient funding is available for the repairs.

**2012 Status** – This recommendation has been implemented. All pumps possess an emergency shut-off device. CFM discovered there were no alarm notifications that could be incorporated into the system; however, video cameras have been installed. Spill Prevention training was conducted and completed in August 2012. All damaged bollards have been repaired.

## **D. Other Operational Issues**

### **1. Parts and Equipment Inventory Control**

**Finding** - Central Fleet was not reconciling their parts inventory to their perpetual inventory records maintained in FleetFocus. Additionally, the City's equipment inventory was not secure and was accessible to employees and contractors.

**Recommendation** - Central Fleet should take steps to both better secure and reconcile the parts and equipment inventories.

**Response** - Central Fleet Management disagrees in part with this finding. CFM's parts inventory is in a secured location, monitored by our parts contractor, Tidewater Fleet Supply, LLC., with limited access to authorized persons. The parts inventory was reconciled by CFM employees five times in FY09 and four times in FY10 using FleetFocus.

The City's powered hand-held equipment inventory was not reconciled on a regular basis. And, the back door to the parts room, which is locked to outside entry, was able to be opened from the inside to gain access to the outside as a fire exit. It is through this door that a City employee, who was authorized to be in the parts room to repair computers, stole the powered equipment. That back door has since had an alarm installed which activates whenever the door is opened and which requires a key to silence. Additionally, the powered small equipment has been moved into an enclosed, locked, partition in the parts room where it will be inventoried quarterly as part of the cyclic inventory performed on the parts inventory.

**2012 Status** - This recommendation has been implemented. The small powered equipment is enclosed in a locked, partitioned area where it is inventoried quarterly. The Central Fleet Manager and Fleet Service Coordinator are the only two people who have keys to that location.

## **2. Repair Contracts**

**Finding** - Although Central Fleet had been working with Public Procurement to issue a formal bid for repair work, delays in the development and issuance of an open Invitation for Bid (IFB) caused undue delays in open competition for equipment and vehicle repair work.

**Recommendation** - Central Fleet should work to expedite the IFB process. Central Fleet should establish a date to publish and award the IFB for Central Fleet vehicle and equipment repairs to comply with competitive bidding requirements.

**Response** - Central Fleet Management does not establish dates to publish and award IFB's that is strictly the function of the City's Purchasing and Contract Manager. CFM will provide IFB specifications for repair contracts (accident repairs, truck repairs, hydraulic repairs, and small equipment repairs) to the Purchasing and Contract Manager by July 1, 2011.

**2012 Status** – This recommendation has been implemented. CFM has been working with the City's Purchasing and Contract Manager to expedite the IFB process. They have developed a format that contains verbiage that suits both CFM and Purchasing and have eliminated the backlog of pending contracts. This will be the standard template CFM will use for future contract requests. CFM currently has no outstanding purchase orders.

### **3. Volume of Small Purchases**

**Findings** - The large volume of Central Fleet's small purchases (known as non-Purchase Order vouchers) valued at less than \$5,000 diverted staff resources away from garage operations, and also bypassed Public Procurement's purchase order (PO) spending controls.

**Recommendation** - Central Fleet should work with Public Procurement to stage the release of multiple POs per contract to control City spending throughout the year.

**Response** - Central Fleet Management agrees with this finding. Finance suggests we continue to operate as we are now until we get the repairs contracts in place through Purchasing.

**2012 Status** – This recommendation has been implemented. CFM is utilizing single source letters with Purchasing's approval, and it has been successful. CFM will ensure there is sufficient documentation on all files to justify estimates received. CFM also has established a contract for lawn equipment repair.

### **4. Identity Theft Protection**

**Finding** - Several Central Fleet staff members had access to the chip key system, yet there was no system in place to prevent unauthorized access to social security numbers in the database.

**Recommendation** - Central Fleet should take steps to remove the social security numbers from the database and issue all future personal chip keys using employee numbers assigned by the City.

**Response** - Central Fleet Management agrees with this finding. With the new FuelFocus fueling system, city of Chesapeake badge number or RFID sticker number will be used to identify users of the fueling system. The old spreadsheet with employee SSN's that was used in conjunction with the DM2 software has been destroyed. Access to the present database holding the SSN's in DM2 is password protected and restricted to the three CFM employees responsible for issuing chip-keys and maintain the DM2 chip-key program. Once the FuelFocus system is up and running the old database using the employee's SSN will be destroyed.

**2012 Status** - This recommendation has been implemented. No social security numbers are available anywhere in the system. CFM plans to utilize the SPSA incinerator to destroy the old chip keys and obtain a letter when the destruction is completed.

# **FOLLOW-UP REVIEW**

## **ECONOMIC DEVELOPMENT DEPARTMENT**

### **PERFORMANCE AUDIT**

**REPORT ISSUE DATE: JULY 2011**

**FOLLOW-UP REVIEW DATE: DECEMBER 2012**

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

**Audit Services Department  
306 Cedar Road  
Post Office Box 15225  
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January 31, 2013

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

Dear Mayor Krasnoff, and Members of the City Council,

We have completed our follow-up review of the Economic Development. The review was conducted in December 2012. As of that date, the status of the report's 12 open recommendations was as follows:

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

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

Jay Poole  
City Auditor  
City of Chesapeake, Virginia

C: James E. Baker, City Manager

**FOLLOW-UP REPORT**  
**ECONOMIC DEVELOPMENT**  
**PERFORMANCE AUDIT**

**December 2012**

Table of Contents

<u>Contents</u>	<u>Page</u>
C1 TIF Expense Processing and File Organization	26
C2 TIF Chesapeake Comm Activity & Tennis Ctr Contingency Planning	26
C3 TIF Project Reporting	26
D1 Economic Development - Organizational Structure	27
D2 Economic Development - Vehicle Usage	27
D3 Economic Development - Business Expenses & Petty Cash	28
D4 Economic Development - Purchase Cards	28
E1 Economic Development - Overall Financial & Operational Controls	29
E2 Economic Development – Center Accounting Functions	29
E3 Economic Development – Alcohol & Food Inventories	30
E4 Economic Development – Sales Contracting Procedures	30
E5 Economic Development – Building, Maintenance, Safety & Security	31

## 1. TIF Expense Processing and File Organization

**Finding** -The approval process for payment of TIF project expenses needed to be enhanced. In addition, the process for tracking TIF project appropriations, expenses, and supporting documentation needed to be enhanced so that requested project data can be easily accessed.

**Recommendation** -TIF invoices should be annotated indicating review and approval. TIF project data should be kept by project and sub categories.

**Response** – We agree with the findings above. Project Manager McDonough Bolyard Peck, MBP, has relocated to the same office building as Economic Development. Prior to this move, a scanned copy of the invoice was emailed to MBP for their approval to expedite timely payments. The invoices are now signed by MBP at our location and then approved by an internal City of Chesapeake employee before processing for payment. (Note: The full text of the response is included in the audit report.)

**2012 Status**- This recommendation has been implemented. All projects are initiated, managed and signed off by Public Works. After the contract has been executed Economic Development is responsible for initiating the requisition through the Purchasing process. The Project Manager is then responsible for the evaluation and the review of each project, receiving the invoice, and signing off on the validity of the invoice. The original invoice is then forwarded to Economic Development for approval.

## 2. TIF Chesapeake Community Activity & Tennis Center Contingency Planning

**Finding** -The Economic Impact Study prepared for a proposed Chesapeake Community Activity & Tennis Center (CATC) did not include a contingency plan in the event that projected revenues either exceeded or did not meet SFA's projections.

**Recommendation** - If the City continues to pursue this project, it should prepare a framework for contingency planning in the advent that revenues exceed or do not meet projections. This framework should include designation of oversight responsibility, defined goals and objectives, measurable key indicators and contingency action plan.

**Response** – Per the February 22, 2011 City Council meeting a substitute motion was approved by a 7-2 vote so no contingency plan is necessary at this time. Staff had proposed a reserve be established in the Greenbrier TIF Fund to address any potential start-up cost or revenues for the CATC. Staff also had indicated to City Council that the CATC would be managed by a private management company via a contract with strong performance criteria. Should the City move forward with development of the CATC, these strategies would be implemented and the recommended contingency plan would be developed.

**2012 Status**- This recommendation will not be implemented. Currently this project is on hold and not likely to be revisited in the foreseeable future.

## 3. TIF Project Reporting

**Finding** -The status of TIF projects were not being forwarded to the City Manager's Office on a consistent basis or in a consistent fashion.

**Recommendation** -The Central Office should provide the City Manager's Office with a quarterly report detailing the status of the various TIF projects.

**Response** -We agree with the findings above. A report is maintained and shared with the City Manager's office in our monthly meetings informally. We can provide the report on a regular basis in hard copy format. This report will include project description, amount appropriated, expenditures, and funding stream and if known time frame for completion.

**2012 Status-** This recommendation has been implemented. In order to provide adequate management oversight, the Central Office provides quarterly detailed reports to the City Manager's Office on the status of TIF Projects. The level of detail included in these reports gives management the information necessary for effective decision making.

## **D. Economic Development Department –Administration and Operations**

### **1. Economic Development Department Organizational Structure**

**Finding** –The Department's organizational structure did not provide for optimal utilization and oversight of its related operating divisions and supporting functions.

**Recommendation** - Economic Development should strongly consider revising its organizational structure to provide for more optimal utilization and oversight of its related operating divisions and supporting functions.

**Response** -We agree with the findings above. An Operations Manager position is being filled. This position will supervise staff and oversee the managements of the Chesapeake Conference Center (CCC) and Conventions & Tourism Bureau. This will help assist and improve interaction and collaboration among the three divisions.

The Fiscal Administrator title at the Conference Center was deleted. A new position of an Accounting Manager was created. This person will be responsible for providing accounting oversight to the Economic Development divisions. This will help the cohesiveness of the accounting functions for the department as a whole.

**2012 Status-**This recommendation has been implemented. The organizational structure has been revised by creating a new Operations Manager position. The Operations Manager will provide the necessary level of management oversight for the operating divisions to ensure that they run efficiently and effectively at an optimal level.

### **2. Economic Development Vehicle Usage**

**Finding** -The Department was not in full compliance with Administrative Regulations 1.18, 1.04, & 1.20 pertaining to the use of City vehicles.

**Recommendation** - The Department should take steps to assure compliance with Administrative Regulations 1.18, 1.04 & 1.20.

**Response** -We agree with the findings above. Economic Development has been in contact with Finance to obtain the correct forms to submit so the assessed imputed income can be added to the

employee's W-2 forms. A full DMV driving transcript has been requested and received for those employees who use company vehicles. The vehicle allowance given to the individual that did not meet the City's criteria is no longer given the monthly vehicle allowance. Since the reorganization at the conference center, this allowance is no longer applicable.

**2012 Status-** This recommendation has been implemented. The Department submits a quarterly report to the Finance Department for "Non-Cash Fringe Benefits" to be included on the employees W-2 form. Since the reorganization of the department, vehicle allowances are no longer applicable.

### **3. Economic Development Business Expenses and Petty Cash**

**Finding-** Supporting documentation for Departmental business expenses was not always adequate.

**Recommendation** - The Department should take steps to ensure that supporting documentation is adequate for departmental business expenses.

**Response** -We agree with the findings above. Due to the communication concerning current industrial clients at in-house meetings with City Manager's office, a log with code name and numbers were not filed with the City Manager's office. An internal log will be generated from current clients that are seen on a regular basis and updated as new ones are generated. These code names will be used on the backup documentation for expenses associated with those clients. (Note: The full text of the response is included in the audit report.)

**2012 Status-** This recommendation has been implemented. Supporting documentation is required for departmental business expenses and prior to petty cash being dispersed a signature is now required for each reimbursed voucher.

### **4. Economic Development Purchase Cards**

**Finding** -The Economic Development Central Office (Central Office) and the Convention and Visitors Bureau (CVB) were not using the City's small purchase/travel credit card to make small dollar purchases and to pay for City business travel expenses.

**Recommendation** - The Central Office should discontinue the use of corporate credit cards and begin using the City P-Card.

**Response** - We agree with the findings above for purchases of office and general supplies needed. However, credit cards continue to be needed/required to travel internationally. Due to the volume of international trips, reliance on the acceptance of credit cards for business transactions is a necessity.

**2012 Status-** This recommendation has been partially implemented. The Department continues to use the Travel Card for all travel related expenses due to its ease of acceptance internationally and domestically. The Department currently uses the City's P-Card for general purchases that are not related to travel.

## **E. Chesapeake Conference Center (Center)**

### **1. Overall Financial and Operational Controls**

**Finding** - Financial and operational controls at the Center needed improvement.

**Recommendation** – The Center should work to improve its financial and operational control practices.

**Response** - We agree with the findings and as such strategies have been developed to provide adequate financial and operational oversight controls, all noted policy and procedure manuals have been reviewed and updated accordingly, building maintenance issues have or are being addressed, the vacancy of the Facilities Supervisor position has been filled and solutions to issues related to the Automated Event Management Software have been identified. (Note: The full text of the response is included in the audit report.)

**2012 Status-** This recommendation has been implemented. The Department has made a comprehensive effort to implement all of the recommended financial and operational controls. They are working with the Information Technology Department on the Automated Event Management System and they have identified efficient methods to assist the staff in a variety of tasks from booking and managing events and reconciling variances to tracking lost/turned down business. The Center has purchased and is utilizing beverage software as well as food inventory software that will interface with the ordering system with the existing food contractor. In addition, upgrades have been made to the Automated Event Management System. The Center is working with IT to have the new Automated Event Management system interface with the Treasurer's Paid-In-Voucher (PIV) system.

### **2. Center Accounting Functions**

**Finding** - Our review of the cash handling, accounting, and information technology functions of the Center identified numerous areas of concern. These concerns included the cash handling process, payment processing, cash security, system implementation and reporting.

**Recommendation** - The Center should take steps to address the concerns identified for its cash handling, accounting, and information technology functions.

**Response** – We agree with the findings and have reviewed and revised the cash handling/security and payment processing/reporting procedures and identified solutions to address the Automated Event Management System deficiencies. (Note: The full text of the response is included in the audit report.)

**2012 Status-** This recommendation has been implemented. The Department has developed control procedures to address the cash handling, accounting, and system implementation issues that were identified. Procedures for cash handling, cash security, payment processing and reporting has been revised including utilizing cash count sheets, establishing a general ledger over/short account, performing surprise lockbox audits, improved processing of mailed payments, and reprogramming of cash registers. With the assistance of the Information Technology Department, historical data from the old system has been migrated to the newly upgraded software and will interface with the Treasurer's PIV system.

### 3. Alcohol and Food Inventories

**Finding** – Controls over the Center’s alcohol and food inventories needed to be improved to enhance inventory utilization, record keeping, and reporting accuracy.

**Recommendation** -The Center should take steps to address the concerns identified for its alcohol and food inventories to improve inventory utilization, record keeping, and reporting accuracy.

**Response** –We agree with the finding and have taken the necessary steps to address the concerns identified with the alcohol and food inventories in relation to improving inventory security, alcohol inventory and reporting procedures, and food inventory.(Note: The full text of the response is included in the audit report.)

**2012 Status-** This recommendation has been partially implemented. The Department is currently working with a contractor to upgrade all lock and key systems. This upgrade will limit access to all inventoried items including all alcohol, sodas, water, mixers, and food items. As of February 2012, the only individuals who had access to the alcohol inventory were the Banquet Captain, Beverage Director and the Office Specialist who is responsible for verification of the inventories. The only individuals who had access to the Food Stock and inventories were the Food and Beverage Director, the Chefs, and Sous Chefs. The Center is in the process of implementing a perpetual inventory system that will interface with the ordering system for the existing food contractor. Currently, inventories are maintained on the previously used worksheet. To ensure accuracy, the accounting staff and the Accounting Manager audit the alcohol inventory on a regular and surprise basis.

### 4. Sales Contracting Procedures

**Finding** -The event contracts used by the Center needed to be updated and not used for all events. Also, event change order forms were not pre-numbered or tracked.

**Recommendation** -The event contracts used by the Center should be updated and used for all events. Also, event change order forms should be pre-numbered and tracked.

**Response** – We agree with the finding. As a result of the hiring of the Director of Sales, both the contracts (sales agreements) and proposals used by the Center have been updated and are used for all events. The contract/agreement revisions began when the Director of Sales was hired on March 1, 2011 and the new agreement was modeled after those commonly used in the hospitality industry for contracting conference and convention properties. The revised agreement has been reviewed by Internal Audit and has been consistently used for all events at the Center since May 1, 2011. In addition, all Change Log Forms are now numbered, dated and signed by the initiating Sales Manager when distributed; and all changes are review at the weekly “Banquet Event Order” (BEO) Meetings.

**2012 Status-** This recommendation has been implemented. Since the hiring of the new Director of Sales, the sales agreement and proposal for the Conference Center has been revised. The Center now uses a contracting document for conference and convention events that is specifically used in the hospitality industry. Controls including numbering, dating, and signing by the Sales Manager have been implemented for the Change Log Forms.

## **5. Building, Maintenance, Safety, and Security**

**Finding** -Maintenance of the Center needed to be improved, and we observed a number of aesthetic and safety issues. Also, the overall building security was not sufficient to protect the physical plant, assets, and staff.

**Recommendation** –The Center should take steps to address the maintenance, safety, and security issues. The Center should develop a formal maintenance, upkeep, and replacement program for the building and its operating systems.

**Response** -We agree with the above findings and in response a new division, Engineering Services, is being developed at the Center to ensure the building is adequately maintained and that all aesthetic and safety issues are addressed in an efficient manner. The Engineering Services division will consist of a Facilities Supervisor, a Part-Time Facilities Technician, a Part-Time Housekeeper and the division will be supplemented by Temporary Staff and City contracted vendors as needed. (Note: The full text of the response is included in the audit report.)

***2012 Status-*** This recommendation has been partially implemented. As a result of our Security Audit new security systems have been implemented to include security cameras (each camera view can be monitored from any cell phones or laptop computers equipped with the software). The Center was working with a contractor to implement a computerized lock and key card-access system on the entry doors to key areas within the building. This computerized card-access system will be designed to allow limited access for certain authorized employees to specific authorized areas. The access cards will eliminate the need for numerous heavy keys, and allow the cards to be instantly deactivated if lost. A new division, Engineering Services, has been created to ensure the building is adequately maintained and that all aesthetic and safety issues are addressed efficiently. A Facilities Supervisor has been hired and the position of Facilities Technician has been posted.

# **FOLLOW-UP REVIEW**

## **AMERICAN RECOVERY AND REINVESTMENT ACT**

### **SPECIAL AUDIT**

**REPORT ISSUE DATE: MARCH 2011**

**FOLLOW-UP REVIEW DATE: DECEMBER 2012**

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

**Audit Services Department  
306 Cedar Road  
Post Office Box 15225  
Chesapeake, Virginia 23328-5225  
(757) 382-8511  
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January 31, 2013

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

Dear Mayor Krasnoff, and Members of the City Council:

We have completed our follow-up review of the American Recovery and Reinvestment Act. The review was conducted in December 2012. 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
- had not been implemented
- will not be implemented
- is no longer applicable

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

Jay Poole  
City Auditor  
City of Chesapeake, Virginia

C: James E. Baker, City Manager

**FOLLOW-UP REPORT**  
**AMERICAN RECOVERY & REINVESTMENT ACT**  
**SPECIAL AUDIT**  
**December 2012**

Table of Contents

<u>Contents</u>	<u>Page</u>
1 EECEBG Grant Utilization	35

## **1. EECBG Grant Utilization**

### **C. Finding and Recommendation**

Based upon our review, we found that the City was operating its ARRA programs in compliance with federal guidelines, and the programs were producing results consistent with their federal objectives. Consequently our sole recommendation was made predominantly for the purpose of improving future ARRA accountability processes rather than correcting a material weakness. We recommended that the City consider reallocating \$95,700 that had been allocated for water fixture retrofits to other clearly eligible grant expenditures, to prevent potential questioned costs.

**Finding** - The City had allocated \$95,700 to be used for water fixture retrofits as part of its Energy Efficiency and Conservation Block Grant (EECBG). There was some risk that expenditures against this allocation might not be considered eligible expenses by federal oversight authorities.

**Recommendation** - The City should consider reallocating the \$95,700 allocated for these water fixture retrofits to other clearly eligible grant expenditures.

**Response** - Since we were already considering reallocating those funds for reasons discussed, it won't be a problem for us to do it. There are certainly plenty of lighting or HVAC retrofits that we can do with those funds. Barbara and I will go ahead and reallocate with DOE at the same time we reallocate some of the training funds to additional solar PV work.

***2012 Status-*** This recommendation has been implemented. The City has begun the HVAC and lighting retrofits as recommended.

## **Managerial Summary**

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

We have completed our review of the City of Chesapeake's (City's) Human Services Department (Human Services) for the period April 1, 2012 to February 28, 2013. Our review was conducted for the purpose of evaluating whether Human Services 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 procedures in its handling of Title IV-E processes, contract administration, procurement practices, and other areas. All divisions of Human Services, including Social Services, the Chesapeake Juvenile Service, and Chesapeake Interagency Consortium were subject to evaluation. We also attempted to identify and address any additional problem areas as requested by Human Services or determined from the audit itself. The audit included review and evaluation of procedures, practices, and controls of the various divisions of Human Services on a selective basis. Samples were taken as appropriate to assist with our evaluation.

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.

Human Services employs a work force of approximately 297 full-time and part-time employees. Their budget for fiscal 2012 exceeds \$30 million dollars, and accounted for 3.35% of the City's FY2013 budget. Areas of operational responsibility include (Joint Staff Operations, Service Staff Operations, Eligibility Staff Operations, Bureau of Public Assistance, Human Services-Other, Welfare to Work, and the Fatherhood Program, Juvenile Services, and the Chesapeake Interagency Consortium. On October 9, 2012, the Interim City Manager appointed a new Director for Human Services effective November 5, 2012. Her appointment followed the retirement of the previous Director.

Human Services Administration directed the activities of the Division of Social Services (DSS), which administered public assistance programs according to federal and state requirements as well as local policies and procedures. This division researched and developed resources for Social Services' programs and directed implementation of the programs. It supported and counseled clients in their use of agency services; coordinated activities with ancillary agencies, such as clinics, employment services, hospitals, schools, and courts; and provided protection and care to abandoned, abused, or neglected children and adults at risk.

The Chesapeake Interagency Consortium (CIC) was comprised of two functions: the Interagency Consortium and Pool Funds. The CIC was responsible for creating, maintaining, and managing a child-centered, family-focused, and community based collaborative system of services and funding that addressed the strengths, weaknesses, and needs of troubled and at-risk children and their families. The CIC fostered the development of services through a collaborative team approach, coordinating agency efforts, and managing available funds.

Juvenile Services, a division formerly known as the Tidewater Detention Home, was a dynamic regional facility dedicated to providing quality secure detention services and daily programming to include education, group counseling, individual counseling, medical services, mental health assessments, behavior management and recreational activities for juveniles assigned by the courts (residents) from the cities of Chesapeake, Portsmouth, Suffolk, and Franklin and the Counties of Isle of Wright and Southampton.

## **Major Observations and Conclusions**

Based on our review, we determined the Department had accomplished its overall mission of administering the VDSS Social Services programs through the Division of Social Services (DSS), providing juvenile service for delinquent minors, and providing necessary resources to families through the CIC. Most of the divisions of Social Services had met performance measurements of the Virginia Department of Social Services (VDSS) and in some cases exceeding their performance goals. However, we did identify concerns related to communications within Human Services' Title IV-E Eligibility processes, Juvenile Services contracts administration, and internal controls over CIC financial processes.

This report, in draft, was provided to the 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. The Human Services Department, DSS, Juvenile Services, and Interagency Consortium management, supervisors, and staffs were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

## **B. Departmental Practices, Procedures, and Performance Measurements**

While we were not able to analyze all Human Services operations and practices in detail, we noted that Human Services had accomplished its overall mission to administer the VDSS Social Services programs. Some of the most significant operations included: Human Services Performance Benchmarks, Benefits Programs, Other Social Services Programs, Juvenile Services, and the Chesapeake Interagency Consortium.

### **1. Human Services Performance Benchmark**

The City's DSS was among the top 5 performing agencies for the second year in a row. Chesapeake placed first as the Top Performing Agency in Financial Benefit Programs and the Virginia Initiative for Employment not Welfare (VIEW) Program. Chesapeake was also in the top five for Child Welfare Services.

### **2. Summary of Benefit Programs and Relative Performance Indicators**

Human Services was responsible for administering several programs funded by a blend of federal and state funds. These major programs included the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF) and Virginia Initiative for Employment not Welfare (VIEW), and Medicaid. Exhibit F below illustrates the trends in public assistance clients served by Social Services from 2009 to 2012. Additionally, Exhibit G shows the demographic breakdown of clients served in FY2012.

### **3. Summary of Other Social Services Programs**

Human Services was also responsible for administering several other programs funded by a blend of federal and state funds. These major programs included Title IV-E, Foster Care, Child Protective Services (CPS) Program, and Adoption, Transitional Child Care Services, Energy Assistance Program, General Relief Burial Services, Adult Protective Services, Auxiliary Grants, Commonhelp, and the Fathers in New Directions (FIND) program.

### **4. Juvenile Services**

Juveniles Services constantly monitored residents and staff using a centralized security control system that consisted of over 80 cameras throughout the facility. Staff and residents were trained in casualty and evacuation response. Exhibit R below highlighted Juvenile Services population statistics.

### **5. Chesapeake Interagency Consortium**

In 1992, the Comprehensive Services Act for At-Risk Youth and Families (CSA) was passed by the Virginia General Assembly. CSA helped families with children who have serious emotional or behavior problems. In Chesapeake the CSA was managed by the Chesapeake Interagency Consortium (Consortium). The Consortium was part of the Department of Human Services. The Consortium's goal was to help families stay together, keep children safe and in their community.

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

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

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

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

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

**Response – Social Services under the Department of Human Services developed the Chesapeake DHS/DSS Title IV-E User's Guide, an in-house manual, which provides each division's role from processing IV-E paperwork through payment processing; Standard Operating Procedures for court ordered reviews was developed between the Agency and City Attorney's Office (Attachment A).**

The agency obtained City approval to acquire Harmony, an automated payment system; City DIT and Purchasing are negotiating the maintenance agreement before commencing the project. In an effort to ensure compliance, a temporary Benefit Program Worker II is reviewing the IV-E cases and recommending changes prior to the federal audit scheduled in August 2013.

## **2. Fraud Program**

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

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

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

The Fraud Unit will continue to be closely monitored by Human Services management.

## **D. Chesapeake Juvenile Services**

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

### **1. Competitive Bidding**

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

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

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

### **2. Contract Process**

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

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

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

### **3. Expense controls**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **E. Chesapeake Interagency Consortium**

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

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

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

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

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

### **2. Verification of Services**

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

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

**Response – In May 2013, program staff met to discuss resolution and agreed to pilot the processing of monthly maintenance payments to foster parents in July 2013. The payments are made the following month for services provided by foster parents. A monthly Memorandum will be prepared to ensure payments are processed timely using the city processing system. Previously, the Virginia Uniform Welfare Reporting System (VUWRS), the program payment system utilized by Social Services, processed the maintenance payments as recurring**

payments. Human Services has recently contracted to purchase the web-based Harmony system which will serve as an upgrade to VUWRS. Consortium staff will provide training to the Chesapeake Community Services Board, Court Services Unit, Department of Health and Public School workers concerning the requirements to process vendor payments. The workers will review and verify services provided prior to payment of invoices by the Consortium.

## **Managerial Summary**

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

We have completed our review of the City of Chesapeake (City) Department of Parks and Recreation (Department) for the period July 1, 2012 to June 30, 2013. Our review was conducted for the purpose of determining whether the Department 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 related to cash handling, procurement, safety, contractual services and inventory. Other areas included a review of housekeeping, groundskeeping, maintenance work order tracking, computer system, departmental inventory, physical security of parks and recreation centers, Northwest River Park (including physical condition, infrastructure, camp store, and park usage rates), and a review of revenue collection procedures and program administration for athletic and other programs, including fees charged and identification card usage.

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.

The Department provided both essential and non-essential services for the City and its' residents. Its primary services included developing safe and enjoyable leisure activities, promoting year round activities that enhance social interaction, education, creative expression, and developing therapeutic activities for those citizens with disabilities. The Department was also responsible for municipal grounds, park maintenance, and athletic field maintenance for both City and Chesapeake Public Schools (Schools), operating City parks, and providing housekeeping for City facilities.

For Fiscal Year (FY) 2012-13, the Department had an operating budget of nearly \$11.7 million. Eleven of the Department's program areas were included in the City's General Fund totaling just over \$9 million. The other four program areas were included in Special Funds and totaled just over \$2.5 million. The Department had an authorized complement of approximately 172 personnel. The Central Offices were located on Executive Drive in the Greenbrier area of the City. Additional office space for a storeroom, a work order center, housekeeping administration, and park and municipal maintenance operations were maintained at their former offices on Mann Drive. The Department Director started work in April 2012, just prior to the start of our audit.

To conduct this audit, we reviewed and evaluated City and Department policies, procedures, operations documents, and reports, both internal and external. We also conducted extensive 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 the Department 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 revenue, cash and system controls, contracts, patron fee structure, physical security, inventories, utilization of Maximo software, safety, and maintenance and usage at Northwest River Park.

This report, in draft, was provided to Department 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. The Department concurred with most of the report's recommendations and has either implemented or begun the process of implementing many of them. The Department's management, supervisors, and staff were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

### **B. Performance Information**

The Department's mission was to provide the citizens of Chesapeake with a variety of year-round leisure activities to promote social interaction, education, creative expressions, physical activity and recreational therapy. This mission was accomplished by providing activities such as classes, special events, clubs, trips, and after-school/evening programs, and therapeutic activities for those with disabilities. The Department had the capability to offer a wide assortment of programs and reached over 400,000 participants annually through its' many offerings. In addition to its community centers, the Department had a variety of diverse parks situated all over the city. Several of these parks were unique to Chesapeake due to their historic relevance or their unmatched natural conditions.

In March 2013, the Department received approval to expand the Elizabeth River Park. The park will expand from 9.7 acres to 12 acres, and upgrades will include the parking area, drainage, site lighting, utilities, and paved sidewalks. Also, the renovations will include concession and restroom facilities, dock improvements and extension, a boat pump out station, a boat fueling station, and a kayak launch. The budget was \$4,000,000.00 and the improvements were expected to be completed in two phases, with phase one completed in the fall of 2013. Phase two completion will be dependent upon receipt of special permits for certain items such as the pump out station and the fueling dock.

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

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

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

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

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

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

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

**Finding** – The Summer Blast Program had significant revenue and operational control weaknesses including non-completion of attendance forms, management review of supporting documentation, independent checks at the various Centers, and reconciling of revenue to attendance sheets.

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

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

## **3. Cash Controls**

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

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

**Response** – The Department agrees with the findings above regarding the Cash Controls. The Department has already taken several steps to address the documentation, accountability and monitoring process of accounting for registrations and revenues. Although there are written policies, some are outdated, some do not cover all the areas now necessary in a growing department. Although there had been repeated staff training in the past, consistent and ongoing review and supervision are needed for accountability. In addition, changes in cash handling must be modernized as centers need to be responsible for direct deposit of cash to a night drop or to the Treasurer’s Department instead of a Departmental staff courier transporting funds to Central Parks and Recreation Accounting for additional reconciliation. (Note: The full text of the Department’s response is included in the body of the audit report).

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

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

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

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

#### **5. Contracting Process**

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

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

**Response** – Parks and Recreation agrees with the findings above regarding the Purchasing process for contractors. It has been suggested that City Departments have readily available access to copies and agreements for purchasing contracts, vendors, IDIQ’s, state contracts

and cooperative agreements obtained and approved by Purchasing for these types of purchases in order for staff to stay in compliance with City procurement requirements. Many of the vendors Parks and Recreation utilizes throughout the fiscal year total greater than \$5,000 collectively but much less individually. To this end, Parks and Recreation will review their purchasing history and trends for past years and consolidate these items from all departmental operations. By consolidating these items for an entire fiscal year, initial purchase orders will be able to be set up by requesting full annual contracts. (Note: The full text of the Department's response is included in the body of the audit report).

## **D. Operations**

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

### **1. Fee Structure**

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

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

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

### **2. Physical Security Controls**

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

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

**Response** – Parks and Recreation agrees with the findings above regarding physical security controls. Only two community centers presently have active security alarms, only four have audible fire alarms and none have cameras. No parks facilities have security cameras. The Department does utilize its eight Park Rangers and an outside security agency to assist with security enforcement in parks and at selected recreational facilities. There are plans for an

initial phasing of security systems and cameras in selected community centers in the FY14 budget.

### 3. Inventory Controls

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

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

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

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

### 4. Maximo System Utilization

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

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

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

### 5. Safety Program

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

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

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

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

## **E. Northwest River Park**

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

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

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

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

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

### **2. Campsite Usage**

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

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

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

## **B. SUMMARY**

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

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

### **Audits in Progress**

Sheriff's Department – As of May 22, 2013, we began fieldwork began in our audit of the Sheriff's department.

Police Department – As of June 13, 2013, we began preliminary fieldwork began in our audit of the Police department.

Kronos-Munis Payroll (Special Audit) – As of July 17, 2013, we began preliminary work in our audit of the Kronos-Munis payroll system.

### **Technical Assistance Projects**

Human Resources Information System (HRIS) – We are continuing to provide advice related to the HRIS system implementation.

Public Utilities – We are continuing to provide assistance to Public Utilities as they implement their new Customer Information System. Acquisition of this system was included in the recommendations included with our most recent Public Utilities audit.

We have provided assistance on the City's IT modernization project.

We have provided contract management for the external auditor contract. The results of the FY 2012 external audit were shared with the Audit Committee on December 11, 2012.

## **Training & Other**

### **July 2012**

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

### **August 2012**

Training – Staff completed various on-line continuing education exercises. One staff member attended the Tidewater Chapter of the VA Society of CPAs seminar.

### **September 2012**

Training – Staff completed various on-line continuing education exercises. One staff member attended the Tidewater Chapter of the VA Society of CPAs seminar.

### **October 2012**

Training – Staff attended a 2012 Fall Conference hosted by the Virginia Local Government Auditors Association. Staff completed various on-line continuing education exercises.

The Audit Technician position was filled and new hire began.

### **November 2012**

Training – Staff attended the 2012 Fraud Prevention and Detection Workshop sponsored by the Association of Certified Fraud Examiners and the Institute of Internal Auditors. One staff member attended a training entitled “Tax Day” hosted by the Tidewater Chapter of VA Society of CPAs.

### **December 2012**

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

### **January 2013**

Training – Staff completed various on-line continuing education exercises. Staff also participated in the Institute of Internal Auditors Annual Tax Update as well as a session entitled Control Issues with Mobile Devices.

### **February 2013**

Training – Staff completed various on-line continuing education exercises. Additionally one staff member participated in a session entitled “Economic Upgrade” conducted by the Virginia Society of Certified Public Accountants.

### **March 2013**

Training – Staff completed various on-line continuing education exercises. Staff participated in a training session on benchmarking items, fraud, and the federal budget sponsored by the City's external auditors.

### **April 2013**

Training – Staff completed various on-line continuing education exercises and attended the Cherry/Bekaert Conference held in Virginia Beach, VA.

### **May 2013**

Training – Staff completed various on-line continuing education exercises. The City Auditor attended the ALGA Annual Conference in Nashville, Tennessee. Also, all staff members participated in the annual training day provided the City's external audit firm as part of its annual contract.

### **June 2013**

Training – Staff completed various on-line continuing education exercises. One of our staff members attended a VSCPS Not for Profit seminar.

## **C. FRAUD HOTLINE**

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

During Fiscal Year 2013 we received thirteen 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 was related to a trash pileup issue in a yard. It was referred to Development and Permits

Complaint #2 – This complaint was related to an employee whose employment record was allegedly misstated. We were able to authenticate the complaint, and appropriate action was taken.

Complaint #3 – This complaint was related to a sewer backup problem. It was referred to Public Utilities.

Complaint #4 – This complaint was related to a citizen's erroneous credit card charge. The citizen was advised to contact the Police if necessary.

Complaint #5 – This complaint was also related to a citizen's erroneous credit card charges. The citizen was advised to contact the Police if necessary.

Complaint #6 – This complaint was related to alleged irregularities in cash handling in a City department. Although we investigated the matter thoroughly, we were unable to authenticate the complaint.

Complaint #7 – This complaint was related to an employee's use of a city credit card at a local donut shop. We investigated the situation and found that the usage of the card was appropriate and valid. Therefore, we did not authenticate the complaint.

Complaint #8 – This complaint was related to a patron whose return of Library materials was not properly recorded. The complaint was authenticated, and the appropriate corrective action was taken.

Complaint #9 – This complaint was related to a prospective employee who claimed that grant funds used in an ongoing City project were being misappropriated. We investigated the matter thoroughly and found that the complaint was not valid. Therefore, we did not authenticate it.

Complaint # 10 – This complaint was related to a City work crew allegedly providing inappropriate landscaping services for a private residence. After investigating the matter, we learned that the property in question had hazardous tree limbs and shrubs blocking the City's right-of-way. Therefore, we did not authenticate the complaint.

**E. SUMMARY**

**TIME (HOURS) EXPENDED**

**JULY 1, 2012 TO June 30, 2013**

**YEAR TO DATE SUMMARY REPORT  
JULY 1, 2012- JUNE 30, 2013**

**A. TIME (HRS) EXPENDED DURING FY 13-COMPLETED PROJECTS**

**1. Audits & Analytical Reviews:**

Human Services – Administration	382.00
Human Services – Planning	982.75
Human Services – Testwork	318.75
Human Services – Report	183.50
Parks & Recreation – Administrative	133.50
Parks & Recreation – Planning	674.50
Parks & Recreation - Testwork	535.00
Parks & Recreation - Report	105.00
Public Works – Administration	137.00
Public Works – Report	228.50
<b>Total Hours Audits &amp; Analytical Reviews</b>	<b>3,680.50</b>

**2. Technical Assistance:**

Fraud Hotline	119.00
Other/IT Modernization	36.00
Library Follow-up	4.00
Purchasing Follow-up	3.00
Peer Review-Prep	10.00
Central Fleet Users Group	4.50
Public Utilities	3.00
Economic Development (Special Project)	44.50
Expressway (Special Project)	20.00
Audit RFP	208.50
<b>Total Hours Technical Assistance</b>	<b>452.50</b>
<b>Total Hours – Completed Projects</b>	<b>4,133.00</b>

## Times(HRS) Expended During FY 13 - Projects in Progress

### 1. Audits & Analytical Reviews:

Sheriff's Department – Planning	17.00
Police Department – Planning	7.00
Police Department - Testwork	127.25
Kronos (Special Audit)	6.50

**Total Audits & Analytical Reviews in Progress** **157.75**

### 2. Technical Assistance:

Kronos-Munis Payroll/HRIS Systems	34.50
CBH Contract Oversight (Audit Contract Mgmt)	38.00
Parks and Recreation Special Project	226.00

**Total Technical Assistance in Progress** **298.50**

### 3. Other:

Administrative	2,133.00
Holiday	687.50
Leave – Annual	533.00
Leave – Sick	263.50
Leave – OT	0.00
Meetings	132.75
Miscellaneous	67.00
Professional Organizations	333.00
Training	284.00

Total Other in Progress 4,433.75

**Total Hours for Projects in Progress** **4890.00**

**Total Hours (Completed Projects + Projects in Progress)** **9,023.00**