



City of Richmond
City Auditor

March 30, 2011

The Honorable Members of City Council
City of Richmond, Virginia

Subject: Annual Follow-Up Progress Report

The City Auditor's Office has completed the Annual Follow-Up Review. The objective was to determine whether (and to what extent) appropriate and timely corrective actions have been taken to implement outstanding audit recommendations. The Follow-Up Review recognizes the efforts made by City agencies and Richmond Public Schools (RPS) to implement audit recommendations. This project was conducted in accordance with Generally Accepted Government Auditing Standards.

Background:

To help ensure the benefits of opportunities to improve accountability and operational efficiency of the City, the City Auditor's Office reviews the actions taken to implement recommendations made in prior audits. Auditors reviewed all the audit reports issued by the Office of the City Auditor that had open recommendations with an implementation date through December 31, 2010.

Objectives, Scope and Methodology:

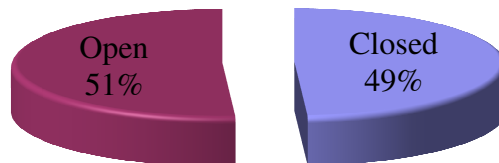
The primary objective of this review was to evaluate the timeliness and adequacy of the implementation of the recommendations made in the previous audits. During this review, auditors

interviewed the management personnel associated with each recommendation, and tested the results of the actions they had taken.

Implementation Status of Open Recommendations:

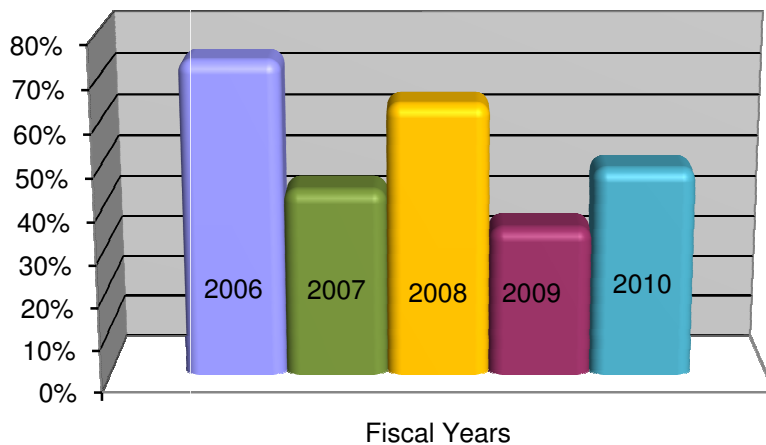
The auditors reviewed 408 outstanding recommendations. The results of our review indicated that management adequately implemented 200 of the 408 recommendations, leaving 208 recommendations open.

2010 Implementation Rate



The table below depicts the implementation history from FY2006 through FY2010.

Total Implementation Rates



Conclusion:

During 2010, the City management implemented 55%, and RPS implemented 27% of the audit recommendations due to be implemented by December 31, 2010. Overall, the City and RPS management need to make more efforts to implement the audit recommendations contained in the

various reports. The audit recommendations, if implemented, would result in significant improvements in internal controls and efficiencies. In addition, the City and RPS can benefit from increased efficiencies and dollar savings. For example, the Police Department has realized savings of \$244,683 by implementing recommendations for the Property and Evidence Room and the Operational audits.

If you have any questions related to this report, please contact the City Auditor's Office.

A handwritten signature in black ink, appearing to read 'Umesh Dalal', with a long horizontal flourish extending to the right.

Umesh Dalal, CPA, CIA, CIG
City Auditor

SUMMARY OF RESULTS

Department/Agency	Report Number	Total	Open	Closed
Finance:				
Tax Audit Unit	2004-03	1	1	0
BPOL and Parking Tickets	2006-13	3	3	0
Accounts Payable & Procurement	2008-04	21	18	3
Payroll	2010-04	26	14	12
Munis	2010-09	6	2	4
Procurement:				
Vendor File	2004-02	1	1	0
Public Works:				
Fleet Services	2007-10	22	20	2
Urban Forestry	2010-07	17	8	9
Public Utilities:				
Banner System	2010-06	5	1	4
Facilities Maintenance	2010-02	4	1	3
Information Technology:				
Microsoft Windows Active Directory	2007-04	2	0	2
Help Desk	2007-08	1	1	0
Network Vulnerability Assessment	2010-12	84	21	63
Community Development:				
Permits and Inspections	2010-03	22	8	14
Code Enforcement	2010-08	22	3	19
Citywide Audits:				
Grounds Maintenance	2009-06	6	5	1
Grants Process	2010-05	12	10	2
Citywide Towing	2011-04	7	4	3
Grants – PR&CF	2008-02	1	0	1
Richmond Public Schools:				
General Operational Audit	2007-06	12	11	1
Accounts Payable & Procurement	2008-05	24	16	8
Fleet Review	2009-04	1	1	0
Information Technology	2009-05	42	31	11
Grants Management	2010-01	5	2	3
City and RPS:				
Accounts Payable and Procurement Consolidation	2009-07	1	1	0
Richmond Police Department				
Property and Evidence	2011-01	12	5	7
Operational Analysis	2011-02	27	9	18
Sheriff's Office				
Medical Services	2010-13	2	1	1
Department of Social Services				
Harmony	2011-03	19	10	9
Total Recommendations		408	208	200

Summary of Open Recommendations by Department/Agency:

Richmond Police Department (RPD):

Property and Evidence Room: 2011-01

Auditors followed up on 12 recommendations. Seven of the 12 recommendations were closed and five remain open. Three of the open recommendations address installing cameras in vulnerable locations and increasing the surveillance capacity. Management obtained a proposal to install cameras and video equipment in the Evidence Room. The cameras will be installed in three phases beginning in 2011. Management plans to civilianize the Fleet Officer's position as recommended, in FY2012. However, they have eliminated the Tow Lot Officer position, which saved the Police Department \$88,705.

Operational Analysis: 2011-02

Auditors followed up on 27 recommendations. Eighteen of the 27 recommendations were closed and nine remain open.

The following highlights some of the recommendations implemented by RPD.

- Eliminated a sergeant position and civilianized a lieutenant position, which saved \$85,475.
- Dispatch Center is replacing an Operations Manager with a captain's position to oversee the Emergency Communications Unit.
- Eliminated one detective position within the Human Resources Division, which saved \$70,503.

The recommendations implemented by RPD realized total savings of \$155,978.

Management is forecasting the following recommended changes:

FY2011:

- Convert a lieutenant position from the Warrant and Information Unit to Customer Service Manager.

FY2012:

- Eliminate one more Detective position.
- Civilianize two police officer positions.
- Civilianize the sergeant's position – convert to a customer service supervisor position.

Management projects total savings of \$160,288 during FY2011 and FY2012.

Department of Finance:

Tax Audit Unit: 2004-03

One recommendation originating from a 2004 audit remains open. The City allows a new business to estimate its first and second year's gross receipts. The business is expected to report adjustments to the estimates to match actual gross receipts in the first two years. The Tax Audit Unit did not have a process to identify these businesses and, accordingly, did not audit them routinely. The City Auditor recommended using an automated method for identifying businesses that are supposed to report beginners' adjustments. According to the Operations Manager, a program is being developed by the Audit Supervisor to identify and address prior year's beginner's adjustments. This recommendation has remained open for approximately six years. Opportunities are lost to identify additional revenue, and to improve the effectiveness of operations, when audit recommendations such as this are not implemented.

BPOL and Parking Tickets: 2006-13

Three recommendations originating from a 2006 audit remain open. The Unit did not have performance measures and did not have detailed procedures for the collection of delinquent taxes. Department management has not developed performance measures or policies and procedures to address the collection of delinquent taxes. Developing performance measures allows the department to improve the performance and accountability of staff time. Management's commitment is essential to enhancing accountability over these operations.

Procurement/Accounts Payable: 2008-04

The Auditor followed up on 21 open recommendations. Three recommendations were closed and 18 remain open. Some of the open recommendations addressed electronic approvals, taking advantage of payment discounts and negotiating a 45-day payment term with the vendors that do not offer early payment discounts. Department management has deferred some of the

recommendations until the ERP system is implemented, and policies and procedures are revised and/or developed.

Citywide Payroll Process: 2010-04

The Auditor followed up on 26 open recommendations. Twelve recommendations were closed and 14 remain open. Some of the recommendations address automating processes, implementing policies and procedures, and implementing controls for the employment termination process. Department management has deferred some of the recommendations until the ERP system is implemented. Also, implementation of some of the recommendations is contingent upon finalization of policies and procedures.

MUNIS Project Management Review: 2010-09

The Auditor followed up on six open recommendations. Four recommendations have been closed and two remain open. The two open recommendations address implementing policies and procedures, and developing tools and measures to manage the Division. Department management is working to implement the recommendations.

Department of Procurement Services:

Vendor File Audit: 2004-02

One recommendation originating from a 2004 audit remains open. Procurement Services has not developed policies and procedures to address vendors who have defaulted. According to Procurement Services staff, a preliminary document has been submitted to legal for review. Management expects implementation of the recommendation by March 31, 2011.

Department of Public Works (DPW):

Fleet Management Services Audit: 2007-10

The Auditor followed up on 22 recommendations. Two recommendations have been closed and 20 remain open. Many of the recommendations are related to the implementation of M5, the new computer system, which was originally expected to be implemented in 2008, but was installed in February 2011. The breakdown of significant open recommendations is as follows:

- 7 are related to M5, which was installed in February 2011
- 3 are related to funding/resource constraints
- 2 are Finance/DIT related, such as interfacing MCMS with the financial system, tracking fixed assets.
- 4 are related to outsourcing the fleet operations

Urban Forestry Division: 2010-07

The Auditor followed up on 17 open recommendations. Out of the 17 recommendations, management implemented nine recommendations, and eight remain open. The outstanding recommendations address performance measures and work plans to better manage the Division.

Department of Information Technology (DIT):

Help Desk Audit: 2007-08

One recommendation remains open. Various departments within the City perform help desk services. The City as a whole could benefit by consolidating and properly staffing a centralized help desk function. Proper tools and training could be provided to the staff in the centralized unit in order to provide efficient and timely service to users. According to DIT management, the recommendation to consolidate the Help Desk function across different agencies needs to be a directive from the administration. The former CFO agreed with the recommendation and has assured the City Auditor appropriate action will be taken.

Network Vulnerability Assessment: 2010-12

The Auditor followed up on 84 open recommendations. Out of the 84 recommendations, management implemented 63 recommendations and 21 remain open. The Auditor was informed by DIT that most of the open items will be resolved by March 1, 2011. Implementation of these recommendations will be reviewed during the next follow-up review.

Citywide Audits:

Grounds Maintenance Limited Review: 2009-06

Auditors followed up on six recommendations. One recommendation was closed and five remain open. Auditors recommended establishing service level agreements between DPW and each of the agencies consolidating grounds maintenance activities. According to department management, a memorandum of agreement has not been finalized due to retirement plan differences amongst the agencies involved.

Consolidation of A/P and Procurement – RPS and City: 2009-07

The City Auditor's Office was asked to perform a review evaluating the feasibility of consolidating the Richmond Public Schools' and the City's accounts payable and procurement functions. Auditors recommended that management establish a task force to begin resolving the challenges to consolidation, including:

- Differences in procurement policies
- Differences in technology standards
- Cultural issues
- Standardization of processes

RPS and City management have not developed the task force and there have been no recent discussions between RPS and the City regarding consolidation. Discussions regarding consolidation have been halted pending implementation of the ERP. However, some of the above issues need to be resolved while the ERP system is being implemented.

Citywide Grants Process: 2010-05:

The auditor followed up on 12 open recommendations. Two recommendations were closed and ten remain open. Some of the recommendations addressed implementing oversight controls, providing training and guidance to departmental/agency staff, and developing an indirect cost recovery rate. Department management has deferred some of the recommendation until DIT develops an automated business plan. The automated business plan will include electronic approvals and internal reporting.

Citywide Towing Contract: 2011-04

Auditors followed up on seven recommendations. Three of the seven recommendations were closed and four remain open. One of the open recommendations addresses developing a City internet website to enable citizens and visitors to find and recover their towed vehicles with greater ease, and promoting a more efficient and effective use of RPD personnel. The remaining recommendations address training the contract administrator to ensure contract compliance.

Sheriff's Office:

Medical Services: 2010-13

Auditors followed up on two recommendations. One recommendation was closed and one remains open. Management updated the Medical Operations Policy to include specific guidance for physical exams. Management is working on enhancing procedures to ensure compliance with the Records Retention Act.

Department of Social Services:

Harmony: 2011-03

Auditors followed up on 19 recommendations. Nine of the 19 recommendations were closed and 10 remain open. One of the remaining recommendations addresses finalizing the backup policy. Without proper system backup, DSS runs the risk of permanently losing the data if the Harmony System goes down. Also, DSS is using an outdated version of Harmony, which requires some manual work. The manual work introduces the potential of human errors, and increases the risk that application functionality will not execute in accordance with management's expectations. According to DSS management, the upgrade of the Harmony application and hardware is scheduled for completion by the end of FY2011. Management also states that the agency is currently undergoing a post-implementation assessment for a more efficient use of the application, thereby reducing the use of manual work, where possible.

The recommendation related to the business continuity plan also remains open. The lack of a finalized COOP increases the risk that key business processes would not be correctly and/or

efficiently reinstated in the event of a disaster that renders the system temporary unusable. Management is working with the Department of Emergency Management to ensure the critical items are included.

Department of Public Utilities:

Banner System: 2010-06

Auditors followed up on five recommendations. Four recommendations have been closed and one remains open. The open recommendation addresses the Continuity Plan, which is still a draft.

Facilities Maintenance: 2010-02

Auditors followed up on four recommendations. Three recommendations have been closed and one remains open. The open recommendation addresses implementing a work order system. According to management, implementing this recommendation has been delayed primarily due to employee turnover.

Department of Community Development:

Permits and Inspections: 2010-03

Auditors followed up on 22 recommendations. Fourteen recommendations have been implemented and eight remain open. Management will implement the remaining recommendations once the new permit and inspections system is implemented.

Code Enforcement: 2010-08

Auditors followed up on 22 recommendations. 19 recommendations were implemented and three remain open. According to management, the open remaining recommendations will be implemented during calendar 2011.

Richmond Public Schools:

General Operational Audit: 2007-06

Auditors followed up on 12 open recommendations. Eleven of the 12 recommendations remain open. The recommendations for this audit covered many areas within the Division as follows:

Instructional Technology Resource Teachers:

At the time of the audit, RPS had one teacher for every 1,245 students. However, the Department of Education requires one teacher for every 1,000 student. The additional positions required approximately \$336,000 annually. According to management, RPS has 20 Instructional Technology Resource Teachers throughout the school division and approximately four employed by the central Information Technology Department. Management did not provide responses timely. Therefore, auditors could not validate them before releasing the report. Auditors will follow up during next year's follow up review.

Interfacing FAMIS with CIMS:

The FAMIS (maintenance) system does not interface with CIMS (financial). Currently, School's DIT is working with the City on the Enterprise Resource Planning (ERP) project. According to management, it does not appear to be appropriate at this time to expend limited resources to modify the current system when the system will be replaced in the near future. Management will address the recommendation once the ERP project is fully implemented.

Plant Services:

At the time of the audit, RPS did not have a formal preventive maintenance program. Their work was done monthly on a reactive basis, which is more costly and disruptive to daily workflow since repairs were often done in response to emergencies. Also, RPS had not established any means by which the users could rate the service provided by the Maintenance Division. According to management, RPS has developed an initial preventive maintenance program with the staff and resources assigned. RPS is also contracting with a vendor to complete a comprehensive study which will develop into a more formal preventive maintenance program. This program should be

fully developed by the end of summer 2011 and full implementation by the spring of 2012. Management also stated that RPS currently sends a bi-annual survey to staff requesting feedback on their satisfaction with the department's work. The results are released to the department heads and the Superintendent. Auditors have not verified this information as it was not provided in a timely manner. It will be reviewed during the next follow up review.

Furthermore, RPS has not adopted the process of using their work order response times to evaluate each unit's performance. Auditors noticed that the work orders had inconsistent completion and cost information. This posed a problem for management when they used this data to determine employee productivity and the unit costs expended to complete work orders. According to management, RPS has instituted a process to review the response and completion times of each project in order to determine the optimal productivity for each assignment. Management did not provide responses timely. Therefore, auditors could not validate them before releasing the report. Auditors will follow up during next year's follow up review.

Security Office:

In a survey sent to 95 teachers, 43% did not feel that the security in the schools provided a safe learning environment. Several weaknesses were identified which ranged from:

- Using a manual system to track phone calls
- Some volunteers did not have background checks
- Outdated crisis management plan
- Training for Security staff was optional, and only 400 pre-K to 5th graders received training on school bus safety

According to management, when funds become available, RPS may purchase an automated phone system that will track calls. The crisis management plan has been updated and all security training is mandatory. Management also stated that school bus training and evacuation drills are currently mandatory for all students. Management did not provide responses timely. Therefore, auditors could not validate them before releasing the report. Auditors will follow up during next year's follow up review.

Accounts Payable/Procurement Audit: 2008-05

Auditors followed up on 24 recommendations. Eight of the 24 recommendations were closed and 16 remain open. Most of the recommendations that remain open are related to internal controls, establishing commodity codes, policies and procedures, implementing eVA, and negotiating payment terms. According to management, these recommendations will be fully endorsed upon the implementation of the ERP system.

Fleet Review: 2009-04

Auditors followed up on one recommendation, which remains open. The recommendation addresses the lack of formal procedures for contract monitoring and administration. Management will address this recommendation once the current contract expires.

Information Technology Audit: 2009-05

Auditors followed up on 42 open recommendations. Eleven of the 42 recommendations were closed and 31 remain open. Most of the open recommendations are related to developing policies and procedures, IT governance, and the disaster recovery plan. According to management, Information Technology is currently developing a disaster recovery plan for all City Hall operations and is planning to run mock drills to determine its effectiveness.

Grants Management Audit: 2010-01

Auditors followed up on five recommendations. Three of those recommendations were closed and two remain open. The open recommendations are mainly related to implementing oversight controls and procedures. Grants Management made significant progress in implementing most of the recommendations. Management has implemented 20 of 22 recommendations.