



# Richmond City Council

*The Voice of the People.*

*Richmond, Virginia*

## OFFICE OF THE CITY AUDITOR

REPORT # 2013-12

AUDIT

*Of the*

**City of Richmond, VA**

**Annual Follow-up Progress Report**

**Open Recommendations Through 12/31/12**

June 2013

## OFFICIAL GOVERNMENT REPORT

*Richmond City Council*

### **OFFICE OF THE CITY AUDITOR**

900 East Broad Street, 8th Floor  
Richmond, Virginia 23219

804.646.5616 (tel); 804.646.2230 (fax)

*Committed to increasing government efficiency, effectiveness,  
and accountability on behalf of the Citizens of Richmond.*



City of Richmond  
City Auditor

June 25, 2013

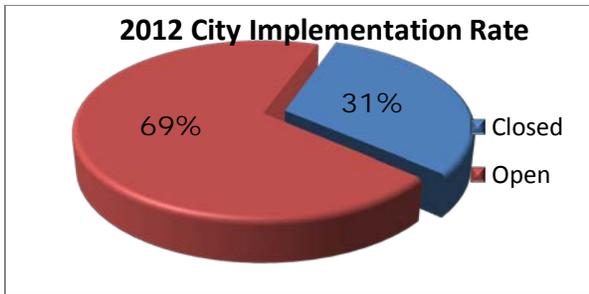
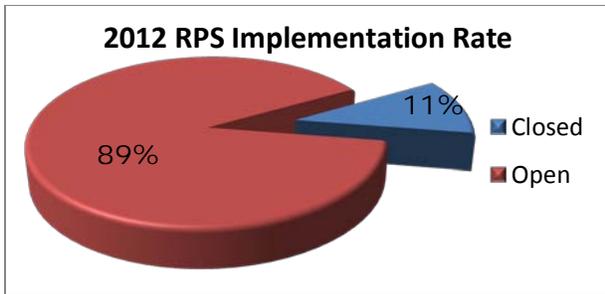
The Honorable Members of City Council  
City of Richmond, Virginia

**Subject: Annual Follow-Up Progress Report**

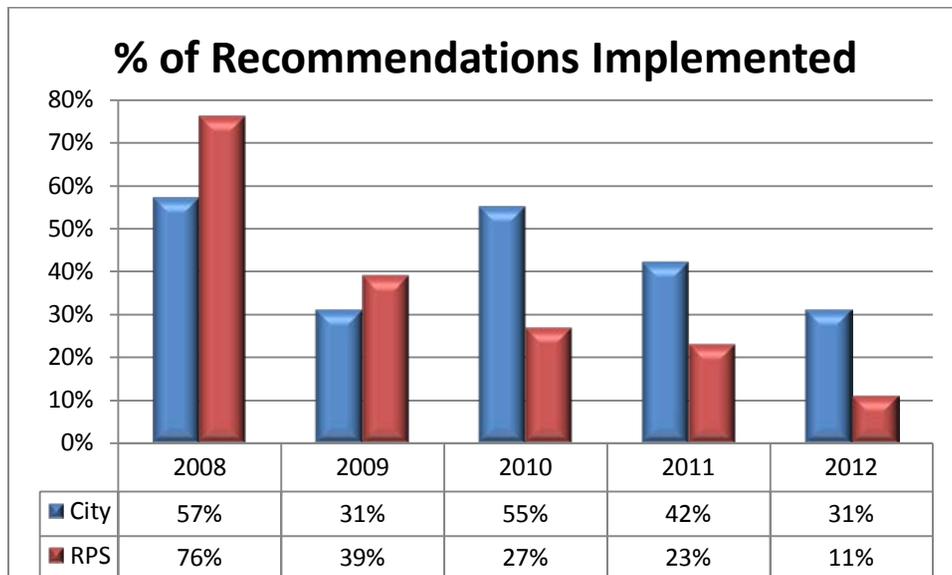
The City Auditor's Office has completed the Annual Follow-Up Review in accordance with Generally Accepted Government Auditing Standards. The objective of this review was to determine the status of the audit recommendations due to be implemented on or before December 31, 2012. The review evaluated the appropriateness and timeliness of corrective actions to mitigate risks identified in past audits.

***Implementation Status of Open Recommendations:***

The auditors reviewed 218 outstanding recommendations in the City and Richmond Public Schools (RPS). The City Administration has implemented 56 out of 181 outstanding recommendations leaving about 69% of recommendations yet to be implemented. RPS has yet to implement 89% (33 of 37) of the outstanding recommendations as of December 31, 2012 as depicted in the following pie-charts:



The chart below depicts the implementation history from FY2008 through FY2012:



The age of the outstanding recommendations is as follows:

Age	City	RPS
More than 3 Years Old	28	33
Three Years Old	21	N/A
Two Years Old	41	N/A
One Year Old	35	N/A
<b>Total</b>	<b>125</b>	<b>33</b>

Audits identify operational and procedural deficiencies, which adversely affect efficiencies and effectiveness of the City and RPS' operations. In addition, issues related to the accountability of

public resources and transparency in government are brought to light. The above table shows that about 22% of the City's recommendations and 100% of the RPS' recommendations have not been implemented for more than three years. Not implementing recommendations results in known deficiencies being ignored. For example, a recent audit on the Revenues Administration Division identified several operational deficiencies that results in a loss of several million dollars in uncollected revenues. However, recommendations made in this area dating as far back as 2004 have not been implemented. This situation may compound the risk of financial losses, fraud, waste, and abuse of public resources. Overall, the City and RPS' management need to improve their efforts to implement the outstanding audit recommendations contained in the various reports.

*Umesh Dalal*

Umesh Dalal, CPA, CIA, CIG  
City Auditor

## SUMMARY OF RESULTS

Department/Agency	Report Number	Total	Open	Closed
<b>Finance:</b>				
Tax Audit Unit	2004-03	1	1	
BPOL & Parking Tickets	2006-13	2	2	
Accounts Payable & Procurement	2008-04	17	12	5
Payroll	2010-04	12	12	
MUNIS	2010-09	4	4	
ICVerify	2011-13	3	3	
Fixed Assets	2012-07	5		5
Revenue Administration	2012-08	11	11	
<b>Procurement:</b>				
Vendor File	2004-02	1	1	
<b>Public Works:</b>				
Fleet Services	2007-10	13	9	4
Urban Forestry	2010-07	1	1	
Roadway Maintenance	2012-04	14	11	3
Facilities Management	2011-08	9	7	2
<b>Public Utilities:</b>				
Meter Reading	2012-12	2		2
<b>Citywide Audits:</b>				
Grounds Maintenance	2009-06	3	3	
Grants Process	2010-05	4	4	
Citywide Towing	2011-04	3	3	
Computer Purchases and Maintenance	2011-14	3	1	2
<b>Richmond Sheriff Department</b>				
Medical Services	2010-13	1		1
<b>Richmond Police Department</b>				

Property and Evidence	2011-01	2		2
Operational Analysis	2011-02	3	3	
Pistol	2012-10	4		4
<b>Department of Social Services</b>				
Harmony	2011-03	4	1	3
CSA Foster Care	2011-11	7	7	
<b>Parks and Recreation</b>				
Capital Improvement Projects	2011-12	2	2	
Facilities and Maintenance	2011-07	13	9	4
Recreation Division	2012-13	5	5	
<b>Fire Department</b>				
Records Management System	2011-05	15	5	10
<b>Retirement</b>				
Payroll and Actuary Systems	2012-03	9	6	3
<b>Justice Services: Truancy and Diversion</b>				
	2012-05	7	2	5
<b>Richmond Ambulance Authority</b>				
	2012-06	1		1
<b>Total City</b>		<b>181</b>	<b>125</b>	<b>56</b>
<b>Richmond Public Schools:</b>				
General Operational Audit	2007-06	10	9	1
Accounts Payable & Procurement	2008-05	4	4	
Fleet Review	2009-04	1	1	
Information Technology	2009-05	22	19	3
<b>Total RPS</b>	<b>RPS</b>	<b>37</b>	<b>33</b>	<b>4</b>

## **Summary of the Most Significant Open Recommendations by Department/Agency:**

### ***Police Department:***

#### *Operational Analysis: 2011-02*

Auditors followed up on three outstanding recommendations, which remain open. Two of the open recommendations are as follows:

***Recommendation:*** It was recommended that the Public Affairs Unit meet periodically with the Department's executive leadership team to solicit formal input on the Unit's marketing and communications plan.

***Risk:*** The Department's message that targets constituents (internal and external) may not be consistently and effectively communicated.

***Recommendation:*** Implement differential response techniques for non-emergency, low-priority calls for service.

***Risk:*** Low priority calls have a significant impact on the sworn staff's time. Implementing differential response techniques will improve the efficiency and effectiveness of sworn staff. The Department has taken steps that will ultimately enable differential police response reports to be self-entered by citizens. However, this process will not be completed until the production database server upon which the corresponding application resides on is replaced. The Department is waiting for funding to cover the cost of migrating from the older server to the new server.

### ***Department of Finance:***

#### *Tax Audit Unit: 2004-03*

One recommendation from a 2004 audit remains open.

***Recommendation:*** Require management to provide an automated method for the Tax Audit Unit to track "beginners' adjustments" that are needed.

**Risk:** 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 is not auditing them. Finance management indicated that a report was developed and the Assessment Team would use it to review beginner filings as a part of the 2013 annual review process. However, the Department did not present evidence of any actions taken to implement this recommendation. A recent audit identified inadequacies in this Unit's operations that may be resulting in non-collection of substantial revenues for the City.

*BPOL and Parking Tickets: 2006-13*

Two recommendations originating from a 2006 audit have not yet been implemented.

**Recommendations:**

- Enhance procedures to properly accumulate and track performance measures.
- Adhere to Policy 11-001, Delinquency Collection Policy and document detailed procedures for the collection of delinquent taxes and fees.

**Risk:** The adverse impact of ignoring these recommendations has been documented in the recent audit of the Revenue Administration Division. The auditors observed that the staff was not held accountable for the assigned tasks. For example, the Tax Audit Unit conducted a significantly lower number of audits and revenues compared to their counterpart in Henrico County. A substantial amount of accounts receivable accumulated due to the lack of collection efforts.

*Procurement/Accounts Payable: 2008-04*

The auditor followed up on 17 open recommendations, of which 12 remain open. The Procurement Department indicated that implementation of most of the open recommendations has been deferred until the ERP system is implemented and policies and procedures are revised and/or developed. Not implementing these recommendations will result in serious deficiencies in the City's procurement process not being addressed as follows:

**Recommendation:** Continue to work towards an automated system in order to implement a process for identifying vendors that owe the City delinquent taxes (pre RAPIDS).

**Risk:** The City may not recoup monies owed to the City by vendors or customers receiving refunds.

**Recommendation:** Segregate duties between the buyers, the employee making vendor database changes and the employees reviewing them.

**Risk:** The system can be abused by establishing fictitious vendor accounts.

**Recommendation:** Consider negotiating a 45-day payment term with the vendors not offering early payment discounts.

**Risk:** Procurement Services did not pursue early payment discounts during the procurement negotiation process. Also, 45 day payment terms are not negotiated when awarding contracts for vendors not participating in early payment discounts. The City may lose savings due to early payments or may not be able to receive benefits of delayed payments until 45 days to help cash flow.

According to Procurement staff, per agreement with the DCAO, Finance and Administration, the Finance Department will take the lead on this recommendation pending implementation of Rapids. However, early payment discounts should be negotiated during the procurement process, not during the payment process. This recommendation should be addressed by Procurement Services.

#### *Citywide Payroll Process: 2010-04*

The auditor followed up on 12 open recommendations and all of them remain open.

The Unit did not provide updates regarding the status of implementation for 11 of these recommendations. Thus, recommendations remain open. Some of the open recommendations are as follows:

**Recommendation:** Implement a checklist or other control to ensure that all City equipment or assets are returned as part of the termination process.

**Risk:** The City may not retrieve assets and identity access tags, thereby exposing the City to losses.

**Recommendation:** Implement procedures to ensure that all City employees and all constitutional employees who are paid through the City's payroll system are issued an ID badge whose image is filed centrally within Human Resources.

**Recommendation:** Periodically compare the electronic payroll files against the ID badge files to ensure that all City employees have been issued ID badges and that all badges issued to terminated employees have been collected and deactivated.

**Risk:** Former and ghost employees may receive paychecks.

**Recommendation:** Develop formal policies and procedures for monitoring compliance with the Federal Labor Standards Act for all City and constitutional agencies.

**Risk:** Absence of a formal monitoring policy and set of procedures increases the risk of noncompliance with federal regulations. The City could be penalized for not complying with the Federal Labor Standards Act.

**Recommendation:** Hold constitutional agencies paid by the City's payroll to the same standards as all other City departments.

**Risk:** Contrary to City departments, constitutional offices are not required to provide appropriate support for leave payout when employees are terminated. In this situation, inaccuracies in the leave payout could result in losses to the City that would not be detected in a timely manner.

**Recommendation:** Develop guidelines for a periodic review and update of payroll policies and procedures.

**Recommendation:** Establish formal policies and procedures as well as “desktop procedures” for all payroll control activities, including review of audit logs, processing controls, etc.

**Recommendation:** Develop appropriate policies and procedures that will ensure compliance with IRS guidelines and accurate social security records.

**Risk:** Without appropriate, written policies and procedures, the staff may not comply with them consistently. Errors and omissions due to these occurrences may result in loss.

**Recommendation:** Assign review of payroll audit logs to someone who does not have super-user responsibilities.

**Risk:** System privileges can be abused for personal gain.

*MUNIS Project Management Review: 2010-09*

The auditor followed up on four recommendations and all of them remain open. The recommendations are as follows:

**Recommendation:** Update and complete the Finance Business Continuity Plan (BCP) for MUNIS.

**Recommendation:** Conduct testing and document the results of testing to examine the effectiveness of the BCP for MUNIS.

**Recommendation:** Provide all staff with regular training on the BCP. Document the training sessions and enhance training according to the test results.

**Risk:** In case of a disaster, the City may lose the ability to process revenues received through the MUNIS System.

**Recommendation:** Update formal policies and procedures, as well as “desktop procedures”, for all real estate activities and develop a guideline for a periodic review.

**Risk:** Without appropriate, written policies and procedures, the staff may not carry out management’s guidance consistently.

*ICVerify Audit: 2011-13*

The auditor followed up on three recommendations. The Department management did not provide status updates for these recommendations.

**Recommendation:** Perform backups as per the established policy.

**Risk:** Without proper system backup, the Revenue Administration Division runs the risk of permanently losing some of the data if the system suffers interruptions.

**Recommendation:** Establish and adhere to a formal process outlining the approval requirements for granting, modifying and removing access to ICVerify.

**Risk:** There is a potential for users to have inappropriate access to information, applications, and infrastructure that are not required for their job responsibilities. This could lead to misuse of the system and data.

**Recommendation:** Work with the vendor to have ICVerify as one of the Tyler Cashiering credit card processing applications.

**Risk:** Keying in the credit card information instead of swiping the card increases the risk of keying errors. Manual entries also provide an opportunity to steal card data at the cash registers. Manual entries slow down the credit card payment process.

*Revenue Administration: 2012-08*

The auditor followed up on 11 recommendations, which all remain open. The Department did not provide status updates for these recommendations. The open recommendations are as follows:

**Recommendation:** Implement proper management practices to ensure efficiency and effectiveness in the Assessment, Collections, Tax and Compliance Audit, and Tax Enforcement Units. Specifically:

- a. Hold employees accountable by managing their productivity.
- b. Require Tax Audit, and Tax Enforcement Units to have a documented annual plan for their work.
- c. Analyze the risk of non-reporting and under-reporting of taxes to focus collection, audit and enforcement efforts to high risk accounts to maximize effectiveness.
- d. Include this analysis for all tax types.

**Risk:** Poor management practices may lead to lack of staff accountability, inadequate collection of revenues and inefficient use of resources.

**Recommendation:** Develop appropriate performance measures and monitor performance for all the Units under this audit.

**Risk:** Without effective and relevant performance measures, it is difficult for the Finance Department to verify and demonstrate the effectiveness and efficiency of their operation.

**Recommendation:** Follow-up on all business personal property tax returns that have not been filed.

**Recommendation:** Review all filed business personal property tax returns for reasonableness. Update the account information timely within MUNIS.

**Risk:** Without following up on all business personal property tax returns, the City may not collect all revenues due.

**Recommendation:** Develop, implement and monitor policies and procedures to:

- a. Place DMV holds timely and consistently.
- b. Ensure compliance with State Code provisions related to charging the administrative fees for delinquent accounts.
- c. Address uploading DMV and DGIF uploads within predetermined timeframes.

**Recommendation:** Develop, implement and monitor policies and procedures to:

- a. Ensure the interest rate within MUNIS is in accordance with the approved interest rate annually.
- b. Update the MUNIS database with DMV downloads on a monthly basis in accordance with the Division's current practices.
- c. Reflect current timelines and procedures for following-up on delinquent accounts.

**Recommendation:** Develop, implement and monitor policies and procedures to:

- a. Remove DMV holds on accounts in accordance with DMV requirements.
- b. Comply with the timeframe established by the policy for posting payment.
- c. Establish a timeframe within which a business license must be issued.

**Risk:** Inconsistent application of policy may result in poor customer service. Without current written policies and procedures, staff expectations may be unclear and job performance may be inconsistent. In addition, policies and procedures ensure continuity of operations during employee turnover.

**Recommendation:** Review and remedy the over-collected interest from taxpayers.

**Risk:** The City may compromise the public's trust.

**Recommendation:** Work with DIT to:

- a. Develop an application for streamlining the process of importing the DMV files into MUNIS.
- b. Review the existing and the new data input into MUNIS to ensure the City is only assessing and billing for property that is garaged within the City limits.

**Risk:** The City may be levying taxes on vehicles that are not located within the City limits. It also, compromises the City's reputation due to poor customer service.

**Recommendation:** Ensure that the supplemental billings are sent to taxpayers timely.

**Risk:** Untimely billings may inconvenience the citizens and may result in erroneously charging fees that are not due to the City.

**Recommendation:** Define a communication process within the Revenue Administration Division for the collection of the taxes due from audit assessments.

**Risk:** Audit assessments may not be collected, thereby resulting in lost revenues.

***Department of Procurement Services:***

*Vendor File Audit: 2004-02*

One recommendation originating from a 2004 audit remains open. Procurement Services has not finalized policies and procedures to address vendors who have defaulted. According to Procurement Services staff, policies and procedures regarding this matter have been drafted and are under review by the City Attorney's Office.

***Department of Public Works:***

*Fleet Management Services Audit: 2007-10*

The Auditor followed up on 13 recommendations. Out of the 13 recommendations, nine remain open. The breakdown of some of the open recommendations is as follows:

**Recommendation:** Work with Finance to review options for the most logical way to accumulate and track the City's fixed assets in the Fixed Asset module. Fleet indicated that this recommendation is tied to whether the incipient ERP can interface with M5.

**Risk:** During the audit, it appeared that Fleet Services was working in silo without any documented communication with the Finance Department. Without obtaining input from the Finance Department, the departmental records may not be able to be integrated with the Citywide fixed asset records.

**Recommendation:** An analysis needs to be performed on the City's fleet to identify actual need, ideal specifications and identify instances where vehicle specifications exceed the actual need. Fleet management indicated that no analysis has been conducted yet.

**Risk:** The City may be utilizing resources on purchasing vehicles and equipment that exceed the City's actual needs.

**Recommendation:** Periodically review under-utilized vehicles and submit the results to the Chief Administrative Officer.

**Risk:** Under-utilized vehicles may represent allocation of resources to the areas where these resources are not adequately utilized.

**Recommendation:** Use the comparison between actual time and established standards to evaluate mechanics.

**Risk:** Without monitoring labor costs, the City stands to lose substantial resources on excessive labor costs. A comparison between actual time and established standards to evaluate mechanics is

not being conducted. According to Fleet Services staff, the department purchased a performance standards module, but it is incompatible with the City's information technology systems. Thus, the module is not being used. Standards by which mechanics are to be evaluated should be established with or without automation.

**Recommendation:** Require Fleet Services to submit monthly performance reports to DPW management.

**Risk:** DPW management will not be in a position to assess the Division's performance.

*Urban Forestry Division: 2010-07*

The auditor followed up on one recommendation, which remains open. The outstanding recommendation addresses developing a management plan to protect the City's urban forest. DPW management hired a firm to conduct a total inventory of the City's Canopy. According to management, the management plan is an intrinsic part of the master plan and information gathered by the inventory will be essential in determining the plan. The Department is in the first year of a three year contract to complete an inventory of City-owned trees. Thus, recommendation will be remain open until the completion of the inventory, which is anticipated in 2015.

*Roadway Maintenance: 2012-04*

The Auditor followed up on 14 recommendations of which three have been implemented. Evidence of implementation was not provided for six of the recommendations. Some of the open recommendations are as follows:

**Recommendation:** Utilize the existing pavement management system to assist management in evaluating and prioritizing alternative maintenance and repair strategies and cross train staff on using the system.

**Risk:** Non-utilization of the system represents an under utilization of public resources. In addition, lack of record-keeping of pertinent data may prevent proper management of the

roadway maintenance function. Department management indicated the existing pavement management system will be replaced during calendar year 2013 and staff will be cross trained on the program.

**Recommendation:** Develop and implement formal inspection procedures, including inspection checklist and supervisory review. Require the inspectors to submit daily reports of inspection activities.

**Risk:** Lack of appropriate quality controls and inspection procedures could result in hazardous conditions not being addressed in a timely manner.

**Recommendation:** Develop performance measures for the Division in each job category. Evaluate the results periodically using appropriate internal and external benchmarks.

**Risk:** Without performance measures, management may not be able to assess the Division's performance.

**Recommendation:** Centralize street pavement restoration resources in the Department of Public Works by transferring resources from DPU to DPW.

**Risk:** Decentralized pavement restoration and lack of proper coordination of efforts between the two departments may result in inconsistent practices.

**Recommendation:** Develop a comprehensive policy and procedures manual for roadway maintenance activities, including the CIP Paving function and monitor for compliance.

**Risk:** Without current written policies and procedures, staff expectations may be unclear and job performance may be inconsistent. In addition, policies and procedures ensure continuity of operations during employee turnover.

**Recommendation:** Update the existing version and utilize the full functionalities of the CityWorks system to keep adequate information necessary to compute per unit costs. Ensure staff is adequately trained to use the system.

**Risk:** Without proper records, it is difficult to manage an operation.

**Recommendation:** Ensure all change orders are properly approved in accordance with City Procurement Policies.

**Risk:** Violations of procurement policies could result in lack of accountability and excessive costs.

*Facilities Management: 2011-08*

The auditor followed up on nine recommendations. Two of the recommendations have been closed and seven remain open. The open recommendations are:

**Recommendation:** Implement a comprehensive preventive maintenance plan.

**Risk:** Without a plan, preventive maintenance may not be adequately performed. This could result in more costly repairs and replacements that otherwise could be deferred.

**Recommendation:** Create an annual work plan that lists expected maintenance projects, including routine maintenance for each year.

**Risk:** Without establishing expectations, necessary work may not be completed.

**Recommendation:** Implement and use the work order system components not currently utilized, such as preventive maintenance scheduling, equipment profiles, inventory management and cost analysis, etc.

**Risk:** Without proper records, it is difficult to manage an operation.

**Recommendation:** Establish performance measures to gauge employee performance and productivity.

**Risk:** DPW management will not be in a position to assess the Division's performance.

**Recommendation:** Track and submit relevant information needed to justify appropriate funding request for the City's annual Capital Improvement Plan.

**Risk:** Without proper information, it may not be possible for the City Administration to request additional funding for the City Council's approval.

**Recommendation:** Update policies and procedures to reflect current practices.

**Recommendation:** Create internal policies and procedures that would address compliance with contracts, regulations and customer services. Once created, policies and procedures should at least include systems to:

- a. maintain a self-evaluation for ADA purposes of all City buildings according to regulation requirements;
- b. maintain records of required fire safety inspections for all City buildings according to regulations; and
- c. maintain records of elevator inspections and assure that inspections are being performed as outlined in the contract terms.

**Risk:** Without current written policies and procedures, staff expectations may be unclear and job performance may be inconsistent. In addition, policies and procedures ensure continuity of operations during employee turnover.

### **Citywide**

#### **Grounds Maintenance Limited Review: 2009-06**

Auditors followed up on three recommendations and determined all three remain open.

**Recommendation:** Compare actual time with budgeted time to evaluate efficiencies of accomplishing grounds maintenance tasks.

**Risk:** A comparison between actual time and established standards to evaluate staff is not being conducted. Without monitoring labor costs, the City stands to lose substantial resources on excessive labor costs.

**Recommendation:** Periodically review and adopt grounds maintenance best practices identified by the U. S. Department of Education including establishing performance measures.

**Risk:** DPW management will not be in a position to assess the Division's performance.

**Recommendation:** Implement an automated work order system to capture work completed and costs incurred for various tasks and ensure that core and non-core functions are segregated.

**Risk:** Without proper record keeping, it is not possible to adequately monitor completion of the work and capture the relevant cost per project.

*Citywide Grants Process: 2010-05*

The auditor followed up on four recommendations and determined that all recommendations remain open. Some of the open recommendations are as follows:

**Recommendation:** Implement a centralized Grants Office by consolidating the Grants Office and the Special Revenue Unit under one reporting structure.

**Risk:** The decentralized function may not facilitate proper communication. Also, grants may not be in compliance with all regulatory requirements.

**Recommendation:** Develop a process for holding departments and agencies accountable for non-compliance with policies and grant conditions.

**Risk:** The departments may not be held accountable for complying with policies and grant conditions.

**Recommendation:** Develop an indirect cost recovery where allowable and maintain documentation as to how the rate was derived.

**Risk:** Not recovering permitted allowable costs results in loss of revenues.

*Citywide Towing Contract: 2011-04*

Auditors followed up on three recommendations and all of them remain open. Some of the open recommendations are as follows:

**Recommendation:** Have RPD and Revenues Administration to agree on control procedures to ensure that all public towing tickets written by RPD are coded “424” and received by Revenues Administration in a timely manner to facilitate timely and effective vendor revenue reconciliations.

**Recommendation:** Develop an automated reconciliation process between the vendor’s records and Revenue Administration’s records.

**Risk:** All citations may not be accounted for.

*Computer Purchases and Maintenance: 2011-14*

Auditors followed up on three open recommendations. Two recommendations have been closed and one remains open. The open recommendation requires the development of policies and procedures to address shipment of computers, distribution to user departments/agencies, purchase request justifications, funding, accounting, procurement documentation and updating to inventory

records. DIT has implemented a couple of procedures; however, a formal policy has not been developed and distributed. Recommendation will remain open until the department develops formal policies and procedures that address the items outlined.

***Department of Social Services:***

***Harmony: 2011-03***

Auditors followed up on four recommendations. Three recommendations were closed and one remains open. The open recommendation involves training users on how to input vendor refunds into the Social Services case management system and working with the system vendor and DIT to transmit the refund information to the City's financial system.

***CSA Foster Care: 2011-11***

Auditors followed up on seven recommendations. All of the recommendations remain open. The open recommendations are as follows:

***Recommendation:*** Conduct functionality testing to assess the feasibility of performing the below tasks in Harmony. Based upon testing results, proceed accordingly:

- a. Recording child welfare expenditures and receipts in Harmony
- b. Tracking vendor refunds, duplicate and overpayments
- c. Keying vendor invoice numbers

***Recommendation:*** Follow up with identified vendors to recoup duplicate payments and overpayments.

***Risk:*** Inability to identify at any given point what is owed to the City versus what has been collected. Loss of revenues to the City and incomplete data due to not using the system's capabilities.

***Recommendation:*** Process prior period adjustments for identified vendor refunds and voided checks for CSA and Title IV-E.

***Risk:*** The City may overstate the request for reimbursement from the State.

***Recommendation:*** Contact Social Security Administration (SSA) and determine how best to resolve the SSI overpayments and proceed accordingly.

***Risk:*** The City is liable for the funds due to the Social Security Administration.

***Recommendation:*** Incorporate language regarding prorated payments for placement changes in the foster home placement agreement.

***Risk:*** The City may not be able to recuperate monies erroneously paid to vendors due to placement changes.

***Recommendation:*** Research and resolve the outstanding checks from the old bank account. Submit outstanding vendor payments to the State as unclaimed property.

***Risk:*** The City may be in violation of the requirement to submit unclaimed property to the State.

***Recommendation:*** Develop and implement policies and procedures regarding the use of generic social security numbers. The procedures should address when generic numbers should be used and establish a timeframe for updating Harmony with the valid social security numbers.

***Risk:*** A fictitious account may be established to receive benefits. Without current written policies and procedures, staff expectations may be unclear and job performance may be inconsistent. In addition, policies and procedures ensure continuity of operations during employee turnover.

***Department of Parks, Recreation and Community Facilities:***

***Facilities and Maintenance: 2011-07***

Auditors followed up on 13 recommendations. Four of the 13 recommendations were closed and nine remain open. Some of the open recommendations are as follows:

**Recommendation:** Establish a detailed plan for preventive/routine maintenance tasks to be accomplished by each crew/employee.

**Risk:** Without establishing expectations, necessary work may not be completed.

**Recommendation:** Require documentation of costs incurred in accomplishing each task/work order, such as labor, materials and supplies cost.

**Recommendation:** Analyze the cost effectiveness of winter projects.

**Recommendation:** Utilize the work order system currently used by Facilities Management.

**Risk:** Without operational data, it is difficult to manage a function's cost effectiveness.

**Recommendation:** Create a policy that requires all invoices to include the name of the employee that requested/picked up the item and the work order number/project related to the purchase.

**Recommendation:** Require Division managers to verify appropriateness of each purchase.

**Risk:** Accountability over the purchases made by employees may not be assured.

**Recommendation:** Implement and conduct periodic safety training for all staff. Maintain a training log to keep track of those employees who have attended the training and those who still need to attend.

**Risk:** Without safety training, the employees may suffer injuries and/or death.

**Recommendation:** Place signs or notices in park amenities that are inactive to ensure this is communicated to citizens.

**Risk:** Citizens may suffer injuries due to safety hazards while visiting the City's facilities.

*Capital Improvement Projects: 2011-12*

Auditors followed up on two recommendations and both remain open. The open recommendations are as follows:

**Recommendation:** Create a list of all major assets and perform formal, periodic risk assessments to help determine what CIP are necessary.

**Risk:** Major repairs and replacement needs may not be adequately determined.

**Recommendation:** Establish and implement a formal documentation process to accurately record periodic inspections of CIP.

**Risk:** Without formal documentation, it is difficult to determine if detailed inspections are being performed in a timely manner for CIP. The risk of not performing inspections may lead to substandard construction or construction that does not adhere to project specifications. In either case, the City could suffer financial losses.

*Recreation Division: 2012-13*

The auditor followed up on five recommendations, which all of them remain open. The open recommendations are as follows:

**Recommendation:** Develop a single, comprehensive background check policy and provide training to all relevant staff on the policy.

**Risk:** Kids and elder citizens may be exposed to people with an undesirable background.

**Recommendation:** Develop a methodology to periodically analyze community center attendance as compared to the number of employees and volunteers at each location. Adjust staffing allocations as necessary to ensure an appropriate level of customer service can be provided.

**Risk:** The Department may staff community centers disproportionate to the need.

**Recommendation:** Develop and implement procedures for programs, to include the following:

- a. Require the use of formal, written agreements with all contractors.
- b. Receive formal, written customer feedback that measure the quality of program content and effectiveness of contractors
- c. Require contractors to maintain attendance records
- d. Document record retention requirements of program supporting documentation (registration forms, receipts, fee waiver forms, and attendance records)
- e. Require staff to reconcile revenue received from programs to expected collections

**Recommendation:** Develop and implement procedures requiring staff to maintain a log for youth transported for athletic and other recreation programs. Policy and procedures have not been developed and implemented.

**Risk:** Without current written policies and procedures, staff expectations may be unclear and job performance may be inconsistent. In addition, policies and procedures ensure continuity of operations during employee turnover.

**Recommendation:** Communicate the current payroll policy to all relevant staff to ensure that sign-in/out sheets are used. Strengthen procedures for management review and approval of employee work hours for all locations that will not utilize the new RAPIDS payroll system, such as pools.

**Risk:** Payroll may not be accurately calculated.

**Richmond Fire Department:**

*Records Management System: 2011- 05*

Auditors followed up on 15 recommendations. Ten of the recommendations were closed, and five remain open. The open recommendations are as follows:

***Recommendation:*** Hold the Fire Department and DIT Management accountable to complete the implementation of the remaining FRMS modules and interfaces by the deadline.

***Recommendation:*** Ensure that the program is properly staffed in order to complete the project within a reasonable time period.

***Risk:*** Delayed implementation may render the system outdated, which can result in wasted City resources. According to management, implementation of this recommendation is pending the hiring of an Information Technology position. The position will not be requested until FY2018 as this is not a life safety position.

***Recommendation:*** Conduct testing and document the results of testing to examine the effectiveness of the COOP.

***Risk:*** Lack of a finalized Business Continuity Plan (COOP) increases the risk that key business processes would not be correctly and/or efficiently resumed in the event of a disaster that renders the system temporarily unusable.

***Recommendation:*** Provide all staff with regular COOP training sessions regarding the procedures and their roles and responsibilities in case of an incident or disaster. Verify and enhance training according to the test results.

***Risk:*** Failure to educate individuals tasked with key recovery responsibilities increases the risk that actual recovery efforts may be improperly executed. According to management, the Department is working to fill the vacant COOP Manager position.

**Recommendation:** Develop policies and procedures requiring the use of logical access authentication controls through the assignment of unique user IDs and strong passwords for all FRMS application users.

**Risk:** Lack of policies and procedures for managing FMRS changes could lead to unauthorized changes or inadequately tested changes to be deployed to production. According to Department staff, the system does not have the functionality to implement strong passwords. However, the Department is in discussions with the system vendor about having this feature in the next release of the system. The Department will not upgrade to the newer version of the system until July 2014 at the earliest.

***Department of Justice Services:***

***Truancy and Diversion: 2012-05***

The auditor followed up on seven recommendations. Five recommendations are closed and two remain open. Some of the open recommendations are as follows:

**Recommendation:** Review the hotline call information periodically to ensure calls are responded to in a timely manner and for other metrics that may be appropriate, such as trending, or categorizing calls by location, etc.

**Risk:** Without relevant data, management cannot gauge the effectiveness of the program.

**Recommendation:** With the help of the City Administration, forge an agreement between the Truancy Division and RPS that allows for sufficient truancy data to be shared.

**Risk:** The necessary information for the effectiveness of the program may not be available.

***Richmond Retirement System***

***Payroll and Actuary System: 2012-03***

The auditor followed up on nine recommends for which three were closed and six remain open. The open recommendations are dependent upon implementing the ERP system currently underway.

### ***Richmond Public Schools***

#### ***General Operational Audit: 2007-06***

Auditors followed up on 10 open recommendations. One recommendation was closed and nine remain open. The recommendations for this audit covered many areas within the Division as follows:

#### ***Interfacing FAMIS with CIMS:***

***Recommendation:*** Contact FAMIS to explore the possibilities of interfacing the application with CIMS.

***Risk:*** Material and labor costs may not be updated in FAMIS. The FAMIS (maintenance) system does not interface with CIMS (financial). According to schools staff, the FAMIS work order system will be discontinued in the spring of 2013. The new software purchased will be able to interface with CIMS as needed.

#### ***Plant Services:***

***Recommendation:*** Require RPS administration to adopt a formal preventive maintenance and replacement program based on systematic short and long range planning.

***Recommendation:*** Upon establishment of a proper preventive maintenance program re-evaluate and justify Facilities Maintenance staffing.

***Risk:*** RPS assets may not be maintained and replaced optimally.

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.

**Recommendation:** Establish a customer satisfaction survey process with follow-up procedures.

**Risk:** The internal RPS customers may not receive proper repairs and maintenance services.

**Recommendation:** Add performance measurement standards for functional units and job classes to help analyze the service efficiency and effectiveness, and analyze this information for employee performance evaluations.

**Risk:** Employees and the Plant Services Division's productivity and the unit costs expended to complete work orders may not be evaluated and managed.

**Recommendation:** Establish a process to track and evaluate service response times.

**Risk:** Services may not be provided in a timely manner.

**Recommendation:** Periodically review the Facilities Maintenance Unit to determine effectiveness and efficiency in terms of product output, unit cost or productivity and service quality.

**Risk:** The Facilities Maintenance Unit may not be managed effectively.

*Security Office:*

**Recommendation:** Hire a consulting firm specializing in physical security of public educational institutions to review overall operations, staffing methodology, staffing adequacy and the use of Best Practices.

**Recommendation:** Adjust funding for the program to implement recommendations by the consultants.

**Risk:** The safety of students and school employees may not be assured.

In a survey sent to 95 teachers, 43% did not feel that the security in the school 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 5<sup>th</sup> graders received training on school bus safety.

*Accounts Payable/Procurement Audit: 2008-05*

**Recommendation:** Assign appropriate commodity codes for all purchases and use them to detect opportunities for consolidation of purchases for volume discount purposes.

**Risk:** RPS's cost may not be tracked properly to enable management to use the information for meaningful analysis.

*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. According to school's staff, the current contract expires in June 2013. Provisions will be included in the new contract.

*Information Technology Audit: 2009-05*

Auditors followed up on 22 open recommendations. Three of the recommendations were closed and 19 remain open. Some of the open recommendations are as follows:

**Recommendation:** Test the Disaster Recovery and Business Continuity plans on a regular basis.

**Recommendation:** Provide all staff with regular continuity planning training sessions regarding the procedures and their roles and responsibilities in case of an incident or disaster. Modify the training as necessary based on the test results.

**Risk:** The business operations may not be able to resume in a timely manner succeeding a disaster.

**Recommendation:** Require the Change Advisory Board or similar group to review and approve all change requests and related metrics based on established change management policies, standards, processes and procedures.

**Recommendation:** Educate users and IT professionals about processes and procedures related to requesting and implementing system changes.

**Risk:** Unauthorized system changes may be implemented.

**Recommendation:** Create network security policies and procedures based on a risk analysis, best practices, and management's revised mission and vision. The new policies and procedures must include version control, training and a communication plan.

**Recommendation:** Create AS/400 systems operations and applications policies and procedures based on industry best practices. To ensure adherence to the new policies, a communication and training plan must be implemented.

**Recommendation:** Create policies and procedures for the DB2 databases security and operational settings of the AS/400.

**Recommendation:** Establish a system security baseline for the AS/400.

**Recommendation:** Require the system control values of the AS/400 to comply with industry (IBM and ISACA) benchmark settings.

**Recommendation:** If essential application software requirements prevent benchmark settings from being used, establish compensating controls.

**Risk:** The computer network may not be appropriately secured; therefore making it vulnerable to internal and external attacks. Without current written policies and procedures, staff expectations may be unclear and job performance may be inconsistent. In addition, policies and procedures ensure continuity of operations during employee turnover.

**Recommendation:** Create a formal process of recording all successful and unsuccessful backups to document the validity and reliability of the backup process.

**Risk:** RPS may suffer loss of data, which may not be recovered.

**Recommendation:** Implement a comprehensive and effective System Development Life Cycle methodology that clearly defines the roles and expectations of the IT staff responsible for implementing, changing, testing and maintaining systems and applications.

**Risk:** System development upgrades and changes may not be managed properly.

**Recommendation:** Create organization-wide Windows Active Directory policies and procedures based on industry best practices. Include revision and review dates in the updated policies and procedures.

**Risk:** The security of the computer data may be compromised.

**Recommendation:** Use performance measures to evaluate vendor and consultant services.

**Risk:** Contract administration may not be adequate.

**Recommendation:** Finish populating the centralized library for all software and licenses documentation into the SLAM (Software License Asset Management) system so that RPS can readily and accurately determine the software licenses that they have purchased.

**Recommendation:** Once the SLAM database is fully populated and the LANDesk Asset Manager Module is being fully utilized, conduct a software license audit.

**Risk:** Noncompliance with the requirements of the software licenses agreement.