



## AUDIT COMMITTEE ANNUAL REPORT For Fiscal Year Ending June 30, 2017

September 6, 2017

The Audit Committee is one of three permanent committees of the City Council. It serves in an advisory role to the Council and appointed officers on matters related to the City's financial records and activities affecting the financial records. Meetings are typically held quarterly and at the request of any member. The following meetings were held for the fiscal year ending June 30, 2017:

- September 7, 2016
- December 14, 2016
- March 8, 2017
- June 7, 2017

<b>Committee Member</b>	<b>Meetings Attended</b>
Bill Bestpitch, Chair	4
Anita Price, Vice Chair	3
Michelle Dykstra, Member	4
Mayor Lea, Ex-Officio	0

The Committee Chair met monthly with the Municipal Auditor to review the status of current audit work, department development work, and investigations. The Audit Committee heard briefings and engaged in discussions related to the following areas:

- Right of Way Maintenance
- Liability Claims Follow Up
- Report on FY16 CAFR
- Rental Inspections LEAN Project
- City Council Expenditures
- Clerk of the Circuit Court
- Records Storage Services
- Tax and Treasury Restructuring
- Fraud, Waste and Abuse Investigations
- DMV Select
- Police Cash / Investigation
- General Audit Plan – FY17 CAFR

The Audit Committee also reviewed the proposed budget for the Auditing department and updates on audit activity during the year. The minutes and reports are accessible online through the Auditing department's webpage. Municipal Auditing's Annual Report for the year ending June 30, 2017 is attached to this report.

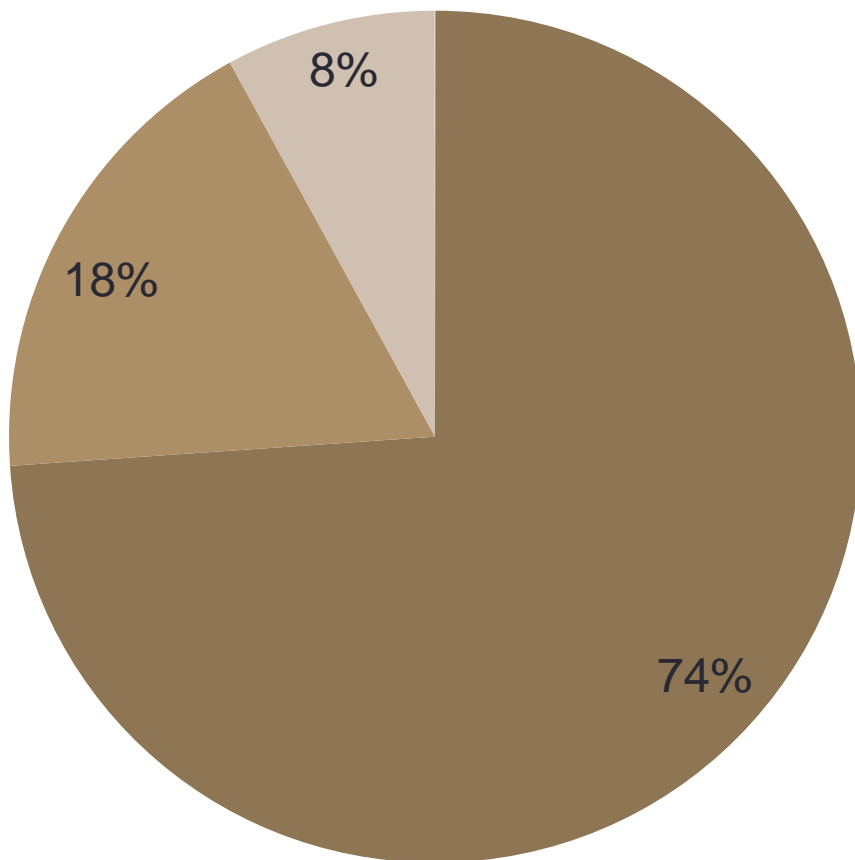
# MUNICIPAL AUDITING ANNUAL REPORT

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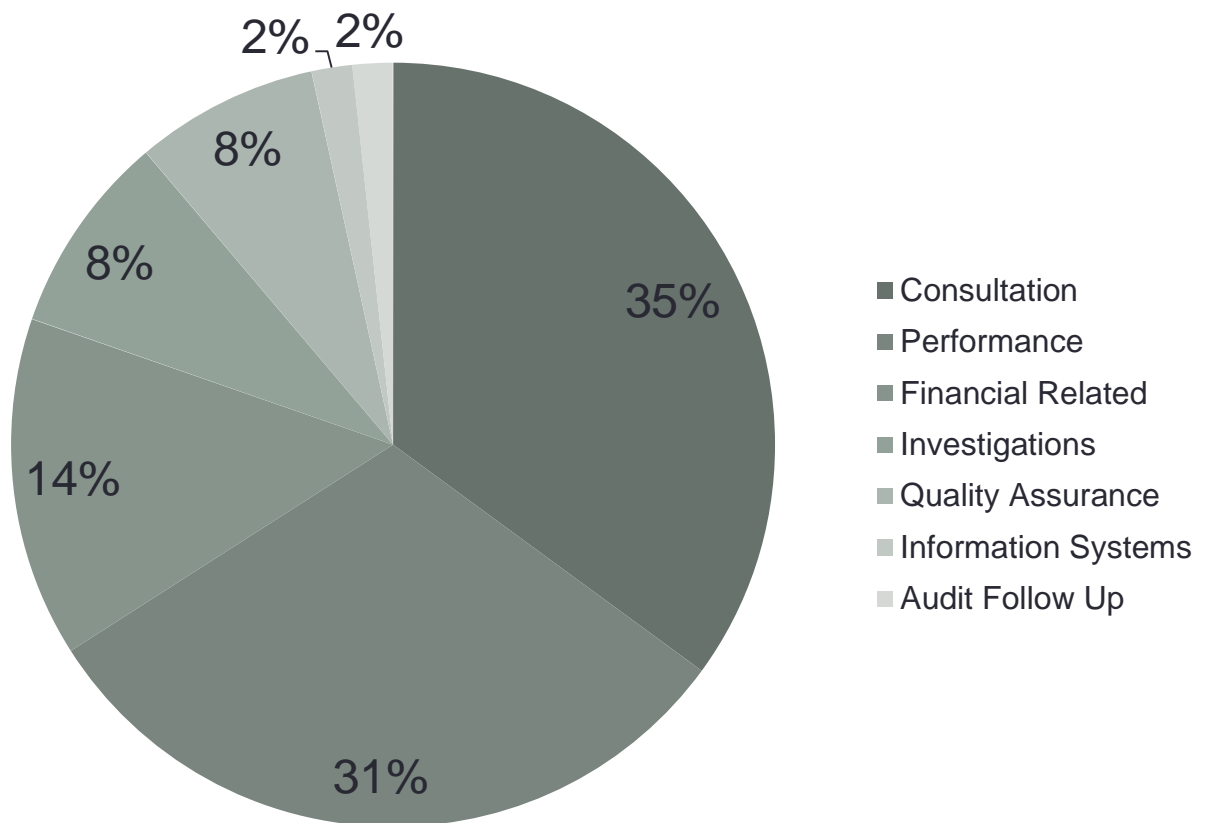
Fiscal Year Ending  
June 30, 2017

# Activity by Entity

■ CITY ■ RCPS ■ GRTC



# Activity by Service Type



# Consultations

Project	Description
Tax and Treasury	<p>Completed restructuring of tax and treasury functions, including city code revisions, employee transition plans and knowledge transfer, office reconfigurations and renovations, development of new operating and capital budgets.</p> <p>Identified preferred revenue and cashiering system; worked with departments to map interfaces and refine system requirements (still in progress).</p>
Consultations (Miscellaneous)	<p>Assistance and advice to management of a limited nature (&lt; 24 hours); no engagement letter, planning, or reporting. More substantial projects are noted here:</p> <ul style="list-style-type: none"> <li>- Banking RFP</li> <li>- Internal Service Funds</li> <li>- Jail Cost Report</li> <li>- Real Estate Supplemental Billings</li> <li>- Revenue Analysis</li> <li>- Solid Waste Fee</li> </ul>
External Audit Coordination	<p>Coordinated the independent audit of the June 30, 2016 Financial Statements and Reports for the City, School Division, GRTC, and Pension Plan.</p>

# Consultations

<b>Project</b>	<b>Description</b>
Information Technology Committee	Non-voting member attending monthly meetings of the committee that steers technology policies and investment. Also served on the project review subcommittee that reviewed and ranked technology funding requests.
LEAN Development	Serve on committee developing strategies for increasing adoption of LEAN principals throughout the organization.

# Performance Audits

Project	Description
School Transportation Costs	Analyzed pupil transportation costs compared to peer school divisions in the region; evaluated the accuracy of transportation costs and operating data reported by RCPS to the Virginia Department of Education.
Right Of Way Maintenance	Audited the performance of right of way maintenance crews and compliance with safety protocols.
Records Storage Services	Audited compliance with records storage and security specifications as set out in the City's contract with its offsite storage vendor.
Berglund Center Maintenance	Evaluated the management company's maintenance of facilities to verify compliance with contract requirements. (Report in Development)
Purchasing Cards	Analyzed expenditures made with city credit cards to verify compliance with city policies and to confirm assets purchased with credit cards were appropriately safeguarded. (Report in Development)

# Performance Audits

Project	Description
Special Education	Analyzed the Division's overall costs for special education, Medicaid cost reporting and revenues, and implementation of consultant recommendations from 2013 study to improve services and reduce costs.
GRTC Fuel Management	Audited compliance with underground storage tank regulations and accuracy of fuel supplier invoices.
Substitute Teachers	Evaluated the performance of the vendor providing substitutes to the school division, including employee screenings, qualifications of substitutes, training, and improvements in fill rates. Compared costs pre and post outsourcing. (Draft Report Issued)
Turnover Audits (Trust Tax and Misc Receivables)	Captured a snap shot of system records and reports at the end of business on June 30, 2017, when responsibilities were transferred to the elected offices. Analysis of the data, system functionality and security for the systems involved is ongoing.



# Financial Related

<b>Project</b>	<b>Description</b>
Police Cash and Fees	Evaluated controls over cash funds, bank accounts, and VICE expenditures managed by the Police Department. Audited accuracy and completeness of fees assessed and collected by the Police Department. Investigated misappropriation of verification report fees.
Continuous Monitoring – Payroll	Developed scripts using analytics software to identify potential compliance exceptions and associated risks in the Lawson HR/Payroll information system.
City Council Expenditures	Audited expenditures by Members of City Council and the City Clerk’s Office.
Clerk of the Circuit Court	Verified compliance with State requirements for administering deeds, wills and trusts.

# Information Systems

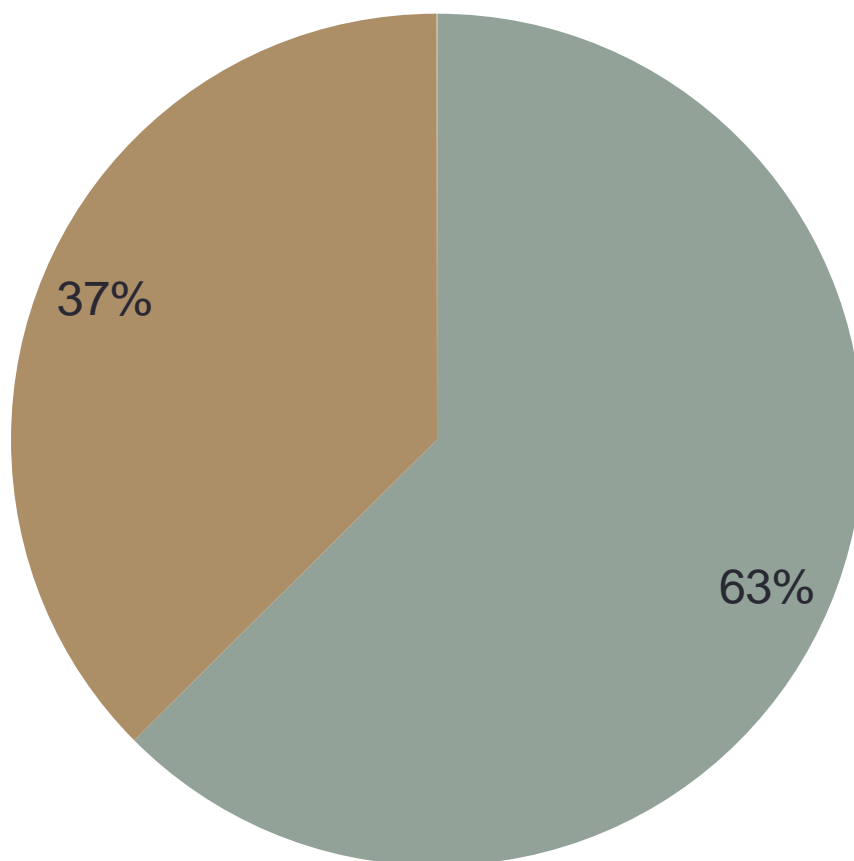
Project	Description
Advantage Financial System Upgrade/ City-Wide Billing Conversion	Limited post-implementation review of testing, configuration, and data validation in anticipation of the external auditor's review of system controls and reliability.
Lawson Upgrade Steering Committee	Participated in monthly steering committee meetings to provide internal control guidance during the Lawson HR/Payroll upgrade implementation process.
Miscellaneous Consultations	Assistance with IT related issues and projects in DoT: <ul style="list-style-type: none"> <li>- Department of Defense physical and network security review and vulnerability assessment</li> <li>- IBM terms of use agreements for cloud-based Notes system</li> <li>- Virtual IT contract to provide disaster recovery planning services</li> </ul>

# Follow Up

Project	Description
General Liability Claims Follow Up	Verified the contract with the Third Party Administrator was revised to address records retention and access requirements.
RCPS Workers Compensation	Verified forms used to report workplace accidents were revised to provide more complete information; confirmed formation of a risk management committee to review claims history, risk exposures, insurance coverage, and strategies for minimizing costs; verified third party administrator indemnity payments again had minor errors (follow up in FY18).
RCPS Student Health Services	Verified that agreements with the provider were complete, that annual costs were properly budgeted and final payments were correct. Verified school-based staff training on medication administration was documented, reporting was compliant, and health records properly inventoried. Verified system access to health records was appropriately restricted.

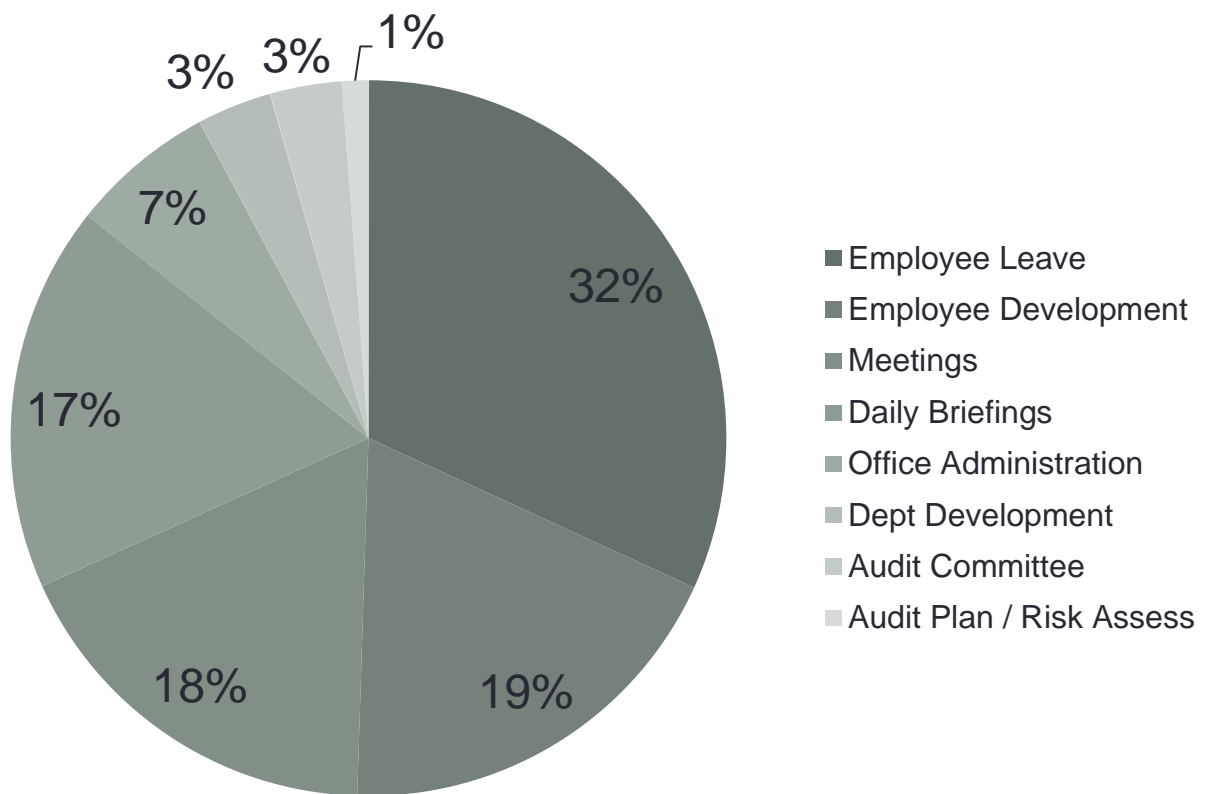
# Direct and Indirect Time

■ Direct ■ Indirect



Benchmark = 68% Direct Time

# Indirect Time



# Performance Measures

Measure	Target	Actual	Delta
Assignments Completed / FTE	8	5.8	(2.2)
Client Satisfaction [1 to 5]	4	4.6	+0.6
Client Action Plans Completed	80%	93%	+13%

End of Report