



# Richmond City Council

*The Voice of the People.*

*Richmond, Virginia*

## OFFICE OF THE CITY AUDITOR

AUDIT REPORT # 2010-14

**City of Richmond, Virginia  
Annual Follow-Up Progress Report  
Open Recommendations Through 12/31/09**

June 2010

## OFFICIAL GOVERNMENT REPORT

*Richmond City Council*

**OFFICE OF THE CITY AUDITOR**

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



City of Richmond  
City Auditor

June 7, 2010

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 had been taken to implement outstanding audit recommendations. The Follow-Up Review recognizes the efforts made by City agencies 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, 2009.

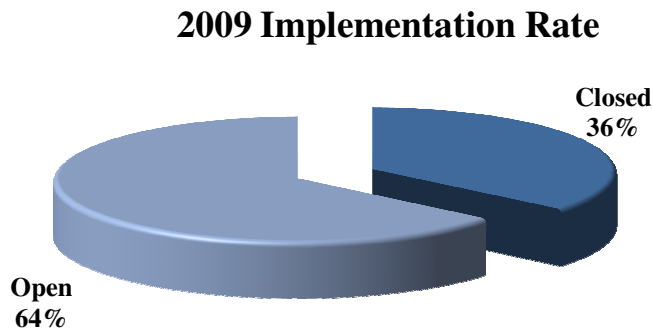
***Objectives, Scope and Methodology:***

In accordance with the Annual Audit Plan for 2010, the City Auditor's Office has completed a review of the status of outstanding audit recommendations. The primary objective of this review was to evaluate the timeliness and adequacy of 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 222 outstanding recommendations. The results of our review indicate management adequately implemented 80 of the 222 recommendations, leaving 142 recommendations open.



***Conclusion:***

During 2009, the City management implemented 32% and RPS implemented 39% of their recommendations. Overall, the City's management and RPS need to make more efforts to implement the audit recommendations contained in the various reports. If you have any questions related to this report, please contact the City Auditor's Office.

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	0
License Assessment	2004-07	1	0	1
BPOL	2006-13	4	3	1
Accounts Payable & Procurement	2008-04	8	7	1
Payroll	2010-04	4	0	4
<b>Procurement:</b>				
Vendor File	2004-02	2	1	1
City Hall Recladding	2006-10	1	0	1
Accounts Payable & Procurement	2008-04	22	18	4
<b>Public Works:</b>				
Custodial Services	2005-14	1	0	1
Fleet Services	2007-10	29	22	7
<b>Public Utilities:</b>				
Banner System	2010-06	3	0	3
<b>Parks, Recreation &amp; Community Facilities:</b>				
Cemeteries	2007-03	1	0	1
Grants Administration	2008-02	1	1	0
<b>Information Technology:</b>				
Microsoft Windows Active Directory	2007-04	3	2	1
Help Desk	2007-08	1	1	0
<b>Community Development:</b>				
Permits and Inspections	2010-03	1	0	1
<b>Citywide Audits:</b>				
Grounds Maintenance	2009-06	2	2	0
Grants Process	2010-05	3	2	1
<b>Richmond Public Schools:</b>				
General Operational Audit	2007-06	20	12	8
Accounts Payable & Procurement	2008-05	35	24	11
Fleet Review	2009-04	3	1	2
Information Technology	2009-05	53	39	14
Grants Management	2010-01	22	5	17
<b>City and RPS:</b>				
Accounts Payable and Procurement Consolidation	2009-07	1	1	0
<b>Total Recommendations</b>		<b>222</b>	<b>142</b>	<b>80</b>

## **Summary of Open Recommendations by Department/Agency:**

### ***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 manual process has been implemented for the current year (FY2010). Since this is a new process and the auditor was not able to verify its effectiveness, this recommendation will be tested during the next annual follow up.

#### *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.

#### *Procurement/Accounts Payable: 2008-04*

The Auditor followed up on 30 open recommendations. Eight of those recommendations were issued to the Finance Department. One recommendation was closed and seven 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. However, the auditor notes that this process could take several years.

### ***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.

*Procurement/Accounts Payable: 2008-04*

The Auditor followed up on 30 open recommendations. 22 of those recommendations were issued to the Procurement Department. Four of the 22 recommendations were closed and 18 remain open. Most of the open recommendations addressed internal controls, establishing policies and procedures, commodity codes, and implementing eVA. According to the agency's management, policies and procedures have not been developed due to the high turnover in departmental management.

***Department of Public Works:***

*Fleet Management Services Audit: 2007-10*

The Auditor followed up on 29 open recommendations. Out of the 29 recommendations, 22 remain open. Many of the recommendations are related to the implementation of M5, the new computer system, which has not been installed yet. According to the department management, there has been slow progress due to several operational staffing changes and departmental management changes. Additionally, the M5 implementation project has been delayed significantly because it was managed by multiple managers. The breakdown of open recommendations is as follows:

- 9 are related to M5 – implementation date is projected for June 22, 2010
- 3 are related to funding/resource constraints
- 2 Finance/DIT related – interfacing MCMS with the financial system, tracking fixed assets.
- 4 are related to outsourcing – RFI will be issued in the next month. Additionally, a group is working on rightsizing the vehicles/equipment and standardizing the fleet. Another group is working on critically evaluating the new vehicles requests.
- 4 miscellaneous

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

*Grants Management Audit: 2008-02*

The Auditor followed up on one recommendation, which remains open. During the audit, auditors noted grant expenditures exceeded the receipts. The negative balances were written off to the general fund. The audit recommended holding the program manager accountable for the budget overruns. According to department management, the staff is not providing detailed quarterly reports

of expenditure and revenues as outlined in their procedures. Therefore, she cannot properly monitor the budget overruns.

### ***Department of Information Technology***

#### *Microsoft Windows Active Directory Client PC Security Audit: 2007-04*

Two recommendations remain open. Active Directory (AD) is a directory structure used on Windows based computers and servers to store information and data about networks and domains. During the audit, DIT did not have a formal policy or procedure for Active Directory Services. Management still has not developed a formal policy and procedure for Active Directory.

#### *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 CFO agreed with the recommendation and has assured the City Auditor appropriate action will be taken.

### ***Citywide***

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

Auditors followed up on two recommendations, which 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 differences.

#### *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, the ERP project may take several years to implement. It should be noted that many of the activities recommended did not require implementation of ERP.

#### *Grants Process Audit: 2010-05*

Auditors followed up on three recommendations. Two of the recommendations remain open. One of the open recommendations is related to implementing SharePoint and Info builders to track citywide grants. According to department management, this recommendation is still in progress. Currently, SharePoint along with Metastorm are being used for the stimulus reporting. This process will be used as a prototype for all grants. DIT is working on creating a Metastorm reporting environment bundled with existing Share Point sites for all grants. The second recommendation is related to setting up special revenue accounts in a timely manner. Based on testing, the special revenue accounts are still not being set up timely.

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

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

Auditors followed up on 20 open recommendations. 12 of the 20 recommendations remain open. The recommendations for this audit covered many areas within the Division as follows:

- ***Information Technology:***

- 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. Due to budget constraints, no additional teachers have been hired.



### *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, this recommendation will be addressed once the ERP project is 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 customers could rate the service provided by the Maintenance Division. According to management, an annual survey will be sent out to school principals by May 31, 2010. The survey will be issued at the end of February annually.

RPS had 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 using this data to determine employee productivity and the unit costs expended to complete work orders. Management established a process to track and to evaluate work order completion rates and the status each month for each department. However, the reports don't show how long it takes to complete the work order.

### ***Security Office:***

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.

According to the Security staff, requests to conduct an assessment have been made. However, auditors could not verify this assertion.

***Finance and Procurement:***

*Accounts Payable/Procurement Audit: 2008-05*

Auditors followed up on 35 recommendations. 24 of the recommendations remain open, which include 10 recommendations that have been deferred pending the RPS and City Accounts Payable and Procurement consolidation. 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 the Purchasing Manager, RPS will not implement eVA for procuring all goods and services. He also stated that the majority of the purchases were made through the CIMS system. He concluded that due to the complexity of adding commodity codes, it would not be wise or cost effective to implement assigning commodity codes for all purchases. However, during the audit, auditors noted that by using eVA, RPS could generate substantial savings due to cost avoidance.

Management is in the process of implementing the other open recommendations.

***Transportation:***

*Fleet Review: 2009-04*

Auditors followed up on three recommendations. One of the three recommendations related to the lack of formal procedures for contract monitoring and administration remained open. Management has not developed formal procedures.

*Information Technology Audit: 2009-05*

Auditors followed up on 53 open recommendations. 39 of the recommendations remain open. Most of the recommendations are related to developing policies and procedures, IT governance, and the disaster recovery plan. Management is working on implementing the recommendations.

***Grants Management:***

*Grants Management Audit: 2010-01*

Auditors followed up on 22 open recommendations. 17 of those recommendations were closed and five remain open. The open recommendations are mainly related to implementing oversight controls and procedures. The Grants Manager made significant progress in implementing most of the recommendations.