

# **Internal Audit Report on DPW - Management of Financial Guarantees**

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## **County of Henrico**



*Proud of our progress;  
Excited about our future*

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**Internal Audit Report #261  
October 5, 2017**

HENRICO COUNTY INTERNAL AUDIT  
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# Internal Audit Report on DPW - Management of Financial Guarantees



Report #261  
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## Summary

- Scheduled Audit
- Conclusions on Audit Objectives (refer to Slide 17)
- Exception Oriented
- 10 reportable Issues and 4 Other Observations
- Control Improvements Implemented during the Audit
- Management Action Plans have been developed to address all risks identified.





## Contents

- Introduction and Background
- Scope, Internal Controls and Methodology
- Conclusions on Audit Objectives
- Issues and Management Action Plans
- Closing and Report Distribution



## Introduction

- Auditor III, Sharon Cherry, performed audit work
- Used professional auditing standards
- Examined controls & tested for selective compliance
- All exceptions given to Agency
- Reported control design issues & significant test exceptions only
- Work for same Government we audit





## Background

### *Types of DPW Financial Guarantees:*

- Road defect (related to street acceptance)
- Erosion and sediment control
- Permit bond for construction or repair work in public right-of-way (ROW)
- Escrow (miscellaneous construction projects)



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## Background

### *Road Defect:*

- Upon acceptance of streets into the County's road system, the developer posts a defect bond with DPW.
  - Protects the County against necessary repairs on completed streets due to damage or material defects
  - Duration: normally 1 year
- Internal Tracking System Utilized: Access Database
- Types: Cash (refundable), Letters of Credit (LOC's), Surety Bonds, Assignment of Funds (Certificates of Deposit or CD's)



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## Background

### *Erosion and Sediment Control:*

- Guarantees that required environmental compliance measures related to land-disturbing activities will be properly completed, constructed and maintained.
- Internal Tracking System Utilized: Access Database
- Types: Cash (refundable), LOC's and Assignment of Funds (CD's)



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## Background

### *Permit to Work in Public Right-of-Way:*

- Ensures completion of restoration resulting from construction, damage or repair work in County-owned ROW's
- Internal Tracking System Utilized: Excel Spreadsheet
- Types: Cash (refundable), Surety Bonds



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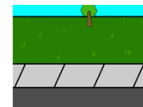
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## Background

### *Escrow (miscellaneous construction projects):*

- Posted to ensure that future, required improvements in public ROW (County-owned only) are constructed (e.g. installation of sidewalks, storm sewer, curb and gutter, road widening projects)
  - Allows the project to move forward
  - Some of these improvements will be incorporated into a future, larger road project
- Internal Tracking System Utilized: Access Database
- Types: Cash (refundable and non-refundable) and LOC's



## Background

### *DPW Financial Guarantees as of 8/26/16*

Bond Category	Assignment of CD	#	Cash	#	LOC's	#	Surety	#	TOTAL	#
Erosion and Sediment	\$2,116,898	31	\$5,085,638	200	\$10,936,089	106	\$107,000	1 *	\$18,245,625	338
Road Defect	\$15,000	1	\$150,375	26	\$53,600	6	\$78,500	4	\$297,475	37
Right-of-Way	\$0	---	\$33,543	27	\$0	---	\$445,785	32	\$479,328	59
Escrow (misc. construction projects)	\$0	---	\$1,593,061	120	\$0	---	\$0	--	\$1,593,061	120
<b>TOTAL</b>	<b>\$2,131,898</b>	<b>32</b>	<b>\$6,862,617</b>	<b>373</b>	<b>\$10,989,689</b>	<b>112</b>	<b>\$631,285</b>	<b>37</b>	<b>\$20,615,489</b>	<b>554</b>


Source: DPW Internal Tracking Systems

\* Exception approved by DPW and the County Attorney's Office

Note 1: Cash is recorded in an Oracle Financials subsidiary module and the general ledger.

Note 2: Data is unaudited.





## Background

*DPW Financial Guarantees as of April 2017*

Bond Category	Assignment of CD	#	Cash	#	LOC's	#	Surety	#	TOTAL	#
Erosion and Sediment	\$2,229,898	31	\$5,367,854	197	\$10,591,289	101	\$107,000	1 *	\$18,296,041	330
Road Defect	\$18,000	1	\$124,875	23	\$37,500	3	\$60,500	2	\$240,875	29
Right-of-Way	\$0	---	\$23,000	23	\$0	---	\$2,061,785	58	\$2,084,785	81
Escrow (misc. construction projects)	\$0	---	\$1,541,502	118	\$0	---	\$0	--	\$1,541,502	118
<b>TOTAL</b>	<b>\$2,247,898</b>	<b>32</b>	<b>\$7,057,231</b>	<b>361</b>	<b>\$10,628,789</b>	<b>104</b>	<b>\$2,229,285</b>	<b>61</b>	<b>\$22,163,203</b>	<b>558</b>


Source: DPW Internal Tracking Systems

\* Exception approved by DPW and the County Attorney's Office


Note 1: Cash is recorded in an Oracle Financials subsidiary module and the general ledger.

Note 2: Erosion & Sediment, Road Defect and Escrow data is as of 4/10/17; Right-of-Way data is as of 4/11/17.

Note 3: Data is unaudited.

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## Background

*Estimation Processes:*


DPW personnel provide estimates for financial guarantees:

- Road defect
- Erosion and sediment control
- Permit to work in public ROW
- Road construction portion of Planning's subdivision projects



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## Audit Scope


**Includes:**

- Initial set-up, extension, reduction, amendment, release and draw processes of DPW financial guarantees
- Cash bond money receipts and reconciliation processes
- Financial guarantees monitoring processes
- DPW's estimation processes to determine the value of financial guarantees related to:
  - erosion and sediment control
  - road defects
  - work in public rights-of-way
  - escrow (miscellaneous construction projects)
  - road construction portion of subdivision projects
- Systems utilized to track and monitor DPW financial guarantees



**Excludes:**

- All other systems utilized by DPW
- All other fees



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## Internal Controls

### *Objectives*

- Reliability and integrity of information
- Compliance with policies, procedures, laws and regulations
- Safeguarding of assets
- Effectiveness and efficiency of operations



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## **Internal Controls Cont'd**

### ***General Limitations of any Controls***


- Errors and irregularities may go undetected
- Inherent limitations in any control structure
- Limitations include resource constraints, legislative restrictions, etc.
- Projection to future subject to risk of change in effectiveness
- Compliance may deteriorate



## **Audit Methodology**

- Evaluated design of internal control system including certain relevant application controls
- Performed walk-throughs of stated controls
- Performed limited tests for compliance with key controls:
  - deposits
  - network folder access
  - expiration dates
  - data completeness (road defect and escrow only)
  - deposit refunds







## Conclusions on Audit Objectives

Rating	Audit Objective	Issues/Other Observations Identified
▲	Review for compliance with State and County regulations and documented agency policies and procedures.	Other Observation 1
▲	Determine the adequacy of controls over the initial set-up, extension, reduction, amendment, release and draw processes of financial guarantees.	Issues 3, 4, 5, 6, 8, 9 & 10; Other Observation 3
▲	Determine the adequacy of money receipts and reconciliation controls over cash bonds.	Issues 1 & 2
▲	Determine the adequacy of financial guarantee monitoring controls.	Issues 1, 3, 5, 6 & 9; Other Observation 2
▲	Determine the adequacy of controls over DPW's estimation processes to ensure reasonable valuations of required financial guarantees.	Issue 7
▲	Evaluate and assess other application and business process controls.	Issues 3, 4 & 10 Other Observation 4

● **Insufficient-Immediate Attention**    
 ▲ **Improvement Needed**    
 ■ **Sufficient**

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- ## Issues
1. Strengthen Cash Bond Controls
  2. Enhance the Cash Bond Reconciliation Process
  3. Strengthen Right-of-Way Bond Controls
  4. Establish a Process to Control Cash Bond Refunds
  5. Establish Escrow Bond Controls
  6. Refine Road Defect Bond Controls
  7. Periodically Review and Revise the Cost Basis Used to Calculate Bond Estimates as Needed
  8. Enhance the Control and Monitoring of Drawn Funds Related to Defaulted Bond Projects
  9. Develop a Process to Ensure Agreements and Bonds Required for Communication Companies are in Place
  10. Establish a Process to Verify the Current Financial Status of Financial Institutions and Surety Companies
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## Issues

Other Observations:


1. Update Related Procedures and Implement a Periodic Review Process
2. Implement Data Monitoring Controls
3. Scan and Save Original Financial Guarantee Documents Electronically
4. Review Access to Database



### Issue 1

## Strengthen Cash Bond Controls







## Condition

### Issue 1

1. Walkthroughs of the financial guarantee processes revealed the following:
  - a. Checks are not restrictively endorsed immediately upon receipt.
  - b. DPW's Administrative Office does not obtain receipts from the Cashier's Office to confirm accurate, timely entry of the deposits made on their behalf, although they do reconcile cash deposits to the general ledger at month end.
  - c. Deposit transmittal forms (sent with the funds to the cashier) and manual PIV's (prepared for customer receipts and project file documentation) are both completed for deposits. Deposit transmittal forms are not pre-numbered and are not maintained with the project paperwork. However, during the monthly reconciliation, manual PIV's are traced to the G/L, although the PIV number sequence is not accounted for during this process to ensure all receipts have been deposited.
  - d. Cash bonds are not proactively monitored by DPW's Administrative Division. They rely on other DPW divisions to notify them to release the funds.
  - e. The financial guarantee receipt letter for E & S bonds describes the process to request a release of the bond; however, it does not explain the follow-up or inspection process, who is authorized to receive the refund (particularly in the case of business partnerships) and the importance of keeping critical information current (e.g. the payment address).



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## Condition


### Issue 1

2. Of the \$1,593,061 in total escrow cash bonds as of 8/26/16:
  - a. \$1,412,568 (89%) were dated in 2010 or earlier, 9 of which were dated in the 1970's (\$8,059).
  - b. \$1,137,260 of these escrow cash bonds are considered to be non-refundable as the associated funds will not be refunded to the developer; instead, they will be paid to whoever completes the stated work (i.e., the County or a third-party contractor).

The Construction Division does not proactively follow-up on these older escrow projects.
3. Of the \$5,085,638 in total Erosion and Sediment Control cash bonds as of 8/26/16, \$1,257,128 (25%) were dated in 2010 or earlier.




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## Effect

### Issue 1

1. Potential for/that:
  - a. misappropriation of checks that were not restrictively endorsed (none noted)
  - b. delayed identification of mis-posted cash bonds
  - c. the County is holding deposit money on projects that could be completed
  - d. the purpose of the escrow projects (i.e. construction details, etc.) is not documented and/or is not known given their age
2. No documentation on file confirming that the deposit was actually made (i.e. deposit transmittal and Cashier's receipt)
3. Inefficiency of two deposit forms being completed for one deposit
4. Checks releasing cash bonds could be returned or delayed as information such as the bond holder's address was not kept current. In addition, deposits associated with older projects may be returned causing DPW personnel to take time to submit unclaimed property to the State.




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## Cause

### Issue 1

1. Restrictive endorsement stamps have never been provided.
2. This is the way cash receipts have always been processed (i.e. no restrictive endorsement stamp and use of the deposit form).
3. Reliance on the monthly cash bond deposit reconciliation to confirm the proper posting of cash bonds
4. Reliance on other DPW divisions to monitor projects associated with the cash bonds
5. The Administrative Division does not monitor cash bonds.
6. The Construction Division assigns expected completion dates on current escrow projects that have been initiated (approximately last 3 years); however, the Division only reacts to questions or complaints regarding the older escrow projects.
7. This is how the receipt letter has always been worded.



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## Criteria


### Issue 1

Best practices related to money receipts dictate that:

1. checks be restrictively endorsed immediately upon receipt
2. deposit receipts should be obtained and agreed to deposit transmittals, both of which should be maintained
3. deposit transmittals should be pre-numbered for tracking purposes
4. cash bonds should be monitored so that deposits can be reduced/released as soon as conditions allow
5. relevant information should be communicated up front to make the overall cash bond process run smoothly




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## Recommendation

### Issue 1

1. DPW's Administrative Office should obtain a County of Henrico "For Deposit Only" stamp so that all checks can be restrictively endorsed immediately upon receipt.
2. Receipts confirming the deposits made should be obtained from the Cashier's Office. These receipts should be agreed and attached to the corresponding manual PIV receipts for documentation purposes.
3. Consider consolidation of the deposit forms and PIV manual receipts so that one pre-numbered form is used and maintained for documentation and reconciliation purposes. Ensure that the number sequence of the deposit transmittal forms is accounted for during the monthly reconciliation process.
4. Cash bonds should be set-up in the tracking systems with a follow up date (in the expiration date field) for monitoring purposes. The Administrative Division should then use this date to follow up and determine if the funds can be returned to the bond holder.
5. The receipts letter related to cash bonds should be updated as described or consideration should be given to having the developer sign a formal cash bond agreement.
6. DPW should continue consulting with the County Attorney's Office to initiate a process to track, monitor and document follow-up efforts related to old escrow cash bonds, especially those that are considered non-refundable to the developer.



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**Issue 1**

## Management Action Plan

#	Management Action Plan	Completed By	Date
1.1	DPW management has ordered For Deposit Only stamps. An email was sent to the Administrative staff on 08/29/17 outlining this procedure. Internal procedures will be updated.	Business Supervisor	11/1/17
1.2	Staff will wait for receipt at Cashier window when making PW deposits. Receipt will be used to verify amount is correct and will be attached to the corresponding manual PIV receipt.	Senior Controller	9/25/17
1.3	DPW will explore the possibility of consolidating these forms.	Business Supervisor	11/1/17
1.4	Administration staff to coordinate meeting to discuss with Construction/Environmental staff acceptable dates to trigger review. Will add those dates to Access database for cash bonds and will use these dates to initiate follow-up action with the Construction/Environmental staff if the Administrative staff has not received a project update.	Business Supervisor	12/30/17

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**Issue 1**

## Management Action Plan

#	Management Action Plan	Completed By	Date
1.5	DPW will revise the cash bond receipt letters as described.	Business Supervisor	1/1/18
1.6	Construction & Administration will continue to review refundable and non-refundable escrows. Funds will either be used for intended use or returned to developer. Follow-up efforts will be documented.	Construction Division Director	6/30/18

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**Issue 2**

# Enhance the Cash Bond Reconciliation Process



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## Condition

**Issue 2**

1. Workflow procedures documented at the start of the audit state that cash financial guarantees are reconciled monthly to Oracle and are reviewed quarterly by the Controller.
  - a. The quarterly review of reconciliations does not appear to provide adequate segregation of duties controls since one person receives and deposits all cash bonds (except for those related to working in County ROW's) and also reconciles all related cash receipts.
  - b. Discussions revealed that monthly reconciliations of cash bonds were not being completed consistently and did not include agreeing the subsystem balances to Oracle AR.

Review of the cash bond reconciliations completed for April-June 2016 revealed:

- i. Non-refundable escrow cash bonds are not included in these reconciliations.
- ii. Only cash deposit transactions in the tracking systems are reconciled by comparing this total to the same activity in the G/L (refundable deposit account) and to the actual PIV receipts for the month being reconciled. All other cash bond activity such as reductions and releases are excluded from this reconciliation effort.



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## Condition

### Issue 2

2. As of 8/26/16, DPW personnel performed a reconciliation of their internal tracking systems to Oracle AR to provide a summary data file by type of financial guarantee for audit purposes. Through this effort, ten reconciling items totaling \$29,716 were identified, 7 of which could not be easily corrected as some occurred as far back as the system transition from FAMIS to Oracle in FY 2006.
3. A detailed review of this initial data file revealed the following:
  - a. This effort did not include a reconciliation of Oracle AR to the G/L.
  - b. Two cash bonds, one for \$3,500 and one for \$400, had notes in the Access Database stating, "to make Oracle balance". DPW has no physical documentation related to these financial guarantees which could be the result of the conversion from FAMIS to Oracle where monies could have been posted incorrectly or misapplied to their account.



## Effect

### Issue 2

1. Potential for undetected (or a delay in the detection of) misappropriation of cash given weak segregation of duties controls (none noted)
2. Errors and reconciling items related to all types of financial guarantee activities are not identified and resolved timely





## Issue 2

### Cause

This is the way cash bond activity has always been reconciled.

### Criteria

Best money receipts practices dictate that:

- cash receipts be reconciled periodically to subsystems and the general ledger.
- duties related to the receipt, processing and reconciliation of funds should be properly segregated.




## Issue 2

### Recommendation

Each month, all cash bond activity in the Administration Division's tracking system (not just cash receipts) should be reconciled to Oracle AR and Oracle Financials (G/L). These reconciliations should then be reviewed monthly with documented approval by the Senior Controller to strengthen segregation of duties controls.





**Issue 2**

## Management Action Plan

#	Management Action Plan	Completed By	Date
2	Sr. Controller will review all cash bond activity monthly with documented approval. This monthly review of all cash bond activity will include a reconciliation of the tracking systems to Oracle AR and the G/L.	Senior Controller	12/30/17

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**Issue 3**

## Strengthen Right-of-Way Bond Controls



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## Condition

### Issue 3

1. The Administrative Division maintains six separate ROW spreadsheets to:
  - a. generate the permit numbers for all ROW bonds
  - b. track ROW cash bonds
  - c. track ROW surety (non-cash) bonds
  - d. list Oracle PIV voucher numbers for Verizon and Comcast billing purposes (2 spreadsheets)
  - e. reconcile permit fees monthly. This separate spreadsheet is used rather than generating a report through the source system (Oracle PIV System) and is not tied back to the initial spreadsheet used to generate the permit numbers to ensure fees for all permits have been accounted for.
2. Comcast and Verizon are billed semi-annually for the ROW permits that have been approved during the billing period. We noted the following related to this billing and payment process:
  - a. Invoices are not issued through Oracle AR.
  - b. Invoices are not sent out timely (i.e. permits issued in January-June of one year are billed in January of the following year).
  - c. Payments received are not noted on the spreadsheet.



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## Condition


### Issue 3

3. A review of the spreadsheet of all active ROW bonds (as of 4/11/17) for bond expiration dates that had passed revealed:
  - a. two expired continuous bonds (expiration dates 9/1/16 and 2/28/17) had not been followed up on until the issues were raised during the audit.
  - b. one expired yearly bond (expiration date 1/12/17) had comments documenting that the bond needed to be held for another year; however, there was no amendment on file and the developer was not contacted until the issue was raised during the audit.
  - c. seven yearly ROW bonds from two customers had expired.



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## Condition

### Issue 3


4. Testing of ROW continuous bonds with no notation of an expiration date on the spreadsheet (as of 4/11/17) revealed:

- a. Two financial guarantees should not have been listed on the spreadsheet as active bonds as they were either superseded or incorrectly included.
- b. One bond for \$5,000 was still listed as an active bond on the spreadsheet although it had a Notice of Cancellation dated 6/17/13 that was not acknowledged by written confirmation as requested.
- c. The Obligee on two bonds is listed as the Commonwealth of Virginia, not the County of Henrico. Further research revealed that it appears these bonds were for County information only and should not have been included on DPW's ROW bond listing of active financial guarantees.
- d. Three bonds actually had expiration dates which were not included on the spreadsheet to facilitate monitoring for release or amendment:
  - i. One listed for \$76,585 which had been increased to \$85,344 (based on an unsigned rider) is now expired.
  - ii. Two utilized the County of Henrico Permit Bond form which indicates a one-year term.
- e. The approved County of Henrico surety Permit Bond form is not always utilized by bond holders.

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## Effect


### Issue 3

1. The potential for an incomplete reconciliation process that does not account for all monthly activity
2. Inefficient ROW tracking, monitoring and payment follow-up processes
3. County receivables are understated as they are not reflected on the G/L. (It appears that these are immaterial amounts billed, however.)
4. A lack of systematic tracking could potentially result in the amount due never being collected as it is forgotten or overlooked
5. The potential that bonds could expire before the project is completed thus leaving the County with no financial guarantee on which to draw to complete required improvements or repair roads, if needed
6. With no bond expiration date, the Administrative Division has no date entered into the database which would allow them to assist in the bond monitoring effort.

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## Issue 3

# Cause

1. This is the way the process has always been handled.
2. Minimal data input controls
3. Assumption that customer contact concerning expired bonds and any necessary amendments are being handled by the Construction Division
4. Never compared the data in the ROW spreadsheets to the project files
5. Surety Permit Bond forms are not reviewed by DPW management.




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## Issue 3

# Criteria

1. Best business practices dictate that:
  - a. source systems be used to generate information for reconciliation purposes
  - b. all systems utilized in the process should be included in the reconciliation
  - c. spreadsheets recording information be combined where possible
2. Best accounts receivable practices dictate that:
  - a. accounts receivable be entered into an automated financial system for billing and accounting purposes
  - b. invoices be issued on a timely basis after the billing period ends
  - c. subsystems be updated with payment information for completeness and accuracy
3. According to ISACA's COBIT 5, a Business Framework for the Governance and Management of Enterprise IT, one goal of information is accuracy or the extent to which information is deemed correct and reliable.



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## Issue 3


# Recommendation

1. For reconciliation purposes, the Administrative Division should tie Oracle to the spreadsheet used to assign permit numbers to ensure all activity is accounted for and all permit numbers are issued sequentially.
2. The Administrative Division should design a more efficient system to control the ROW process which includes the ability to document follow-up efforts so that project statuses can be easily determined.
3. The Administrative Division should consider using Oracle AR to bill communication companies for permit fees to work in the County's ROW's.
4. Permit fee invoices should be sent out to the communication companies as soon as possible after the billing period has ended.
5. Payment information should be entered into the spreadsheets that track for billing purposes ROW permits issued to Verizon and Comcast.

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## Issue 3


# Recommendation

6. The Administrative Division should work closely with the DPW Construction Division to monitor the expiration dates of financial guarantees to ensure that yearly and continuous bonds are amended for extensions as needed, and to ensure that work in County ROW's is actually completed upon expiration of the bonds.
7. The Administrative Division should ensure that all information in the ROW spreadsheets is verified against the project files as a one-time check for completeness and accuracy. Going forward, a monitoring process should be developed to ensure the information remains accurate.
8. All ROW surety bonds should be reviewed with documented approval by DPW management.
9. DPW should work with the County Attorney's Office to have all bond holders with "continuous" ROW bonds indicating no specific expiration date to sign a County of Henrico Permit Bond form listing an expiration date which allows time for multiple work projects to be completed (e.g. possibly two to three years from the issuance date).

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**Issue 3**

## Management Action Plan

#	Management Action Plan	Completed By	Date
3.1	DPW will ensure that Oracle ties to the spreadsheet used to assign permit numbers to ensure all activity is accounted for and all permit numbers are issued sequentially.	Business Supervisor	12/30/17
3.2	Administration & Construction will seek guidance from County IT experts to create a ROW/Escrow/Defect database. Key elements to be included: expiration dates of the financial guarantee and purpose/status of project. In the meantime, the current spreadsheet system will be consolidated as much as possible.	Senior Controller	1/31/18
3.3	Administration staff will contact Finance staff to see if invoices can be created in ORACLE A/R.	Senior Controller	11/30/17
3.4	Administration will start billing communication companies monthly.	Office Assistant IV	1/31/18

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**Issue 3**

## Management Action Plan

#	Management Action Plan	Completed By	Date
3.5	If billings cannot be created in ORACLE/AR will create document payment information using spreadsheet or database to track payments.	Senior Controller	1/31/18
3.6	Administration & Construction will seek guidance from County IT experts to create a ROW/Escrow/Defect database. Key elements to be included: expiration dates of the financial guarantee and purpose/status of project. Administration will work with Construction to get project status updates.	Senior Controller	1/31/18
3.7	Administration & Construction will seek guidance from County IT experts to create a ROW/Escrow/Defect database. Key elements to be included: expiration dates of the financial guarantee and purpose/status of project. In the process of spreadsheet consolidation, project files will be matched against the Excel listings.	Senior Controller	1/31/18

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**Issue 3**


## Management Action Plan

#	Management Action Plan	Completed By	Date
3.8	The Administration Division will ensure that all ROW surety bonds have the County of Henrico listed as the Obligee. Any exceptions will be reviewed with Construction.	Office Assistant IV	12/30/17
3.9	Construction will consult with the County Attorney regarding this recommendation.	Construction Division Director	1/1/18


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**Issue 4**

## Establish a Process to Control Cash Bond Refunds



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## Condition

### Issue 4


The configuration of the Oracle AR to AP interface used to process cash bond refund checks does not allow the AP approver to view the payment address in order to verify that the check is being sent to the correct address.

Furthermore, two DPW employees create AR customer accounts to set up the initial deposit, have the ability to change AR account payment addresses, initiate the refund and pick up the checks from Accounting.

Finally, there is no established process to formally document requested address changes so that there is an audit trail that can be matched to the refund checks.



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## Effect


### Issue 4

The potential for:

1. an employee with Oracle AR Data Entry access to change the payment address in the system with the intent to divert cash bond refunds. (none noted)
2. an employee picking up cash bond refund checks from Accounting to manually change the payment addresses with the intent to divert the funds or to simply take the check and cash it, especially if the funds relate to an older project where the developer may not expect a refund. (none noted)




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**Issue 4**

## Cause

1. System configuration does not make the payment address visible to the AP approver.
2. Since Oracle AR has been "reverse engineered" to track deposits which may be refunded, management had not considered the risks associated with deposit refunds given the AR Data Entry access.
3. Two DPW employees from the Administration Division pick up the checks from Accounting to make copies for the project files.




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**Issue 4**

## Criteria

According to COSO's updated Internal Control-Integrated Framework released in May 2013, organizations should select and develop control activities to help mitigate risks in order to achieve its objectives; addressing segregation of duties is listed as a point of focus in this effort.




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## Issue 4


# Recommendation

1. A process should be developed to segregate duties associated with refunds of cash bonds or deposits which helps ensure that these checks are mailed to the proper address of the bond/deposit holder.
2. A process should be developed to formally document requested address changes so that an audit trail is available to match to the refund checks.



PROCESS

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## Issue 4

# Management Action Plan

#	Management Action Plan	Completed By	Date
4.1	The Administration Division will devise a plan to segregate duties.	Senior Controller	12/30/17
4.2	1) All requests for address and or payee changes must be in writing and included in project file. 2) Contact Finance to see if it possible to notify the Sr. Controller anytime customer information is changed in ORACLE/AR.	Senior Controller	11/30/17

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**Issue 5**

# Establish Escrow Bond Controls



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## Condition

**Issue 5**

1. There is no formal escrow source document which establishes the purpose of the bond as well as the required amount, term/expiration date and type of bond submitted (i.e. cash or LOC) for purposes of notifying the Administrative Division.
2. At the end of April 2017, the Construction Division was not aware of any currently active escrow bond projects; however, the Access Database (as of 4/10/17) tabs utilized by the Administrative Division listed five cash escrow bonds dated between 2014 and 2017. Further research by the Construction and other divisions within DPW revealed that:
  - a. the specified improvements were not completed on three of these projects (bonds for \$5,000, \$57,534 and \$7,500); therefore, they are still considered to be active.
  - b. the improvements were determined to have been completed on a \$5,500 project and the cash bond was approved for release during the audit.
  - c. one bond for \$53,400, required by the Traffic Division, has an agreement stating escrowed funds are to be returned if the construction of the improvements is not completed by August 31, 2025. However, no one has been assigned the responsibility to track and monitor the provisions of this agreement.




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## Effect

### Issue 5

1. The potential that/for:
  - a. miscommunication between Construction Division personnel and the Administrative Division concerning the projects' statuses
  - b. expired bonds on active projects
  - c. management decision making and/or reporting based on incomplete and/or inaccurate information
  - d. cash bonds being held longer than necessary
  - e. escrow projects are not completed as management does not know about them or because no one has assumed ownership of the project



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## Cause

### Issue 5


1. This is the way escrow projects have always been processed.
2. There is no established process to help ensure that the Access Database system tabs utilized by the Administrative Division and other divisions' systems contain the same information on active projects requiring financial guarantees.
3. The Administrative Division does not monitor and obtain division project status updates on escrow bonds.

## Criteria

1. Best business practices dictate that project source documents should be established that communicate relevant project information internally.
2. According to ISACA's COBIT 5: A Business Framework for the Governance and Management of Enterprise IT, completeness is a goal of information quality. COBIT 5 defines completeness as "the extent to which information is not missing and is of sufficient depth and breadth for the task at hand".




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## Issue 5

# Recommendation

1. An escrow source document should be created that summarizes relevant escrow project information [such as the purpose/reason for the project; the name of the developer; the required financial guarantee amount; term or expiration date; the type of bond submitted (i.e. cash or an LOC) and the project owner] for the purposes of notifying the Administrative Division.
2. A process should be established to ensure that the systems utilized by other divisions within DPW contain the same information regarding open escrow projects that is documented in the Access Database tabs used by the Administrative Division.



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## Issue 5

# Management Action Plan

#	Management Action Plan	Completed By	Date
5.1	DPW will create an escrow source document that summarizes the relevant project information.	Business Supervisor	6/30/18
5.2	Administration & Construction will seek guidance from County IT experts to create a ROW/Escrow/Defect database. Key elements to be included: expiration dates of the financial guarantee and purpose/status of project. In the meantime, Administration will generate a database report of escrow projects to be validated by Construction.	Senior Controller	1/31/18

Henrico County Internal Audit 60

**Issue 6**

# Refine Road Defect Bond Controls



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**Issue 6**

## Condition

The Administrative Division uses tabs within an Access Database to document road defect bonds while the Construction Division tracks the related projects using other systems such as spreadsheets. The Access Database contained bonds for projects that did not appear to be included or updated with current information in Construction's systems. The following was noted:

1. The listing of road defect bonds on the 8/26/16 data file from the Access Database included both a \$10,500 cash bond and the LOC it had replaced.
2. A review of currently open but older road defect bonds on the Administrative Division's 4/10/17 data file revealed 5 (all cash bonds) that appear they should have been closed given the street acceptance or cash bond effective dates.
  - a. The Construction Division had no information concerning two of these projects: a bond effective 6/1/92 with no street acceptance date noted and a bond effective 4/12/01 with a street acceptance date of 4/24/01.
  - b. Inspections did not appear to be made timely as:
    - i. warranty repairs that were required on two projects (streets accepted 3/24/15) were only recently completed per a 6/23/17 update from the Construction Division.
    - ii. streets were accepted 1/22/13 and should have been inspected within a year. However, defects were discovered from what appears to be a more recent inspection and the cash bond is to be used to make the needed repairs.







## Condition

**Issue 6**

3. A comparison of a 3/22/17 extract of the Construction Division's Defect Bond Tracking spreadsheet to the Administrative Division's 4/10/17 data file revealed that one road defect surety bond for \$10,500 had expired on 3/22/17 and had not been extended as of 6/19/17 although issues needed to be addressed.
4. Testing revealed a defect surety bond did not have an expiration date indicated in the Administrative Division's 4/10/17 data file. Further inquiry revealed this to be a \$50,000 road defect surety bond that had been misclassified on the 8/26/16 data file as an escrow bond. Furthermore, it had a 1-year term that should have been 5 years.




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## Effect

**Issue 6**

1. The potential for:
  - a. expired bonds on active projects which leaves the County with no financial guarantee on which to draw to repair roads
  - b. management decision making and/or reporting based on incomplete and/or inaccurate information
  - c. cash bonds being held longer than necessary
2. With no bond expiration date, the Administrative Division has no date entered into the database which would allow them to assist in the bond monitoring effort.




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## Issue 6

# Cause

1. There is no established process to help ensure that the Access Database system tabs utilized by the Administrative Division and the Construction Division's systems contain the same information on active projects requiring financial guarantees.
2. Oversight
3. The Administrative Division does not monitor road defect bonds as well as cash bonds overall
4. Limited personnel resources in the Construction Division




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## Issue 6

# Criteria

1. According to ISACA's COBIT 5: A Business Framework for the Governance and Management of Enterprise IT:
  - a. completeness is a goal of information quality. COBIT 5 defines completeness as "the extent to which information is not missing and is of sufficient depth and breadth for the task at hand".
  - b. one goal of information is accuracy or the extent to which information is deemed correct and reliable.
2. Expiration dates of non-cash financial guarantees are to be monitored to ensure that the County has the ability to draw on the bonds should the developer default on his obligation to install required improvements or fail to properly construct roads.




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## Issue 6

# Recommendation

1. The Administrative Division should:
  - a. ensure that information from the Access Database tabs they use are verified against the road defect spreadsheet utilized by the Construction Division to ensure that both systems contain complete and accurate information on active projects.
  - b. monitor the expiration dates of all non-cash financial guarantees for which they are responsible (i.e. road defect and escrow in addition to Erosion & Sediment Control).
  - c. work with the Construction Division to establish or refine the inspection and communication process to ensure that road defect bonds do not expire before the required inspections are completed. Project statuses should also be well documented and Administrative Division personnel should contact the bond holders in order to get amendments extending the terms of agreements when necessary.
2. The Construction Division should revise the Inspectors Report to include the required warranty period for defect bonds.



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## Issue 6

# Management Action Plan

#	Management Action Plan	Completed By	Date
6.1a	Administration & Construction will seek guidance from County IT experts to create a ROW/Escrow/Defect database. Key elements to be included: expiration dates of the financial guarantee and purpose/status of project. In the meantime, Administration will generate a database report of road defect projects to be validated by Construction.	Senior Controller	1/31/18
6.1b	Administration & Construction will seek guidance from County IT experts to create a ROW/Escrow/Defect database. Key elements to be included: expiration dates of the financial guarantee and purpose/status of project. In the meantime, Administration has set-up the same expiration date monitoring process for sureties as is currently done for LOC's.	Senior Controller	1/31/18

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Issue 6


## Management Action Plan

#	Management Action Plan	Completed By	Date
6.1c	Administration & Construction will seek guidance from County IT experts to create a ROW/Escrow/Defect database. Key elements to be included: expiration dates of the financial guarantee and purpose/status of project. The Business Supervisor and the Construction Division Director will develop a process utilizing this system (and the current tracking systems until this new one is created) to refine the communication and inspection process.	Senior Controller	1/31/18
6.2	Administration & Construction staff will add wording to the Inspectors Report regarding duration of financial guarantees.	Business Supervisor	12/30/17

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Issue 7

## Periodically Review and Revise the Cost Basis Used to Calculate Bond Estimates as Needed



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## Condition

Issue 7

A walkthrough of estimation processes revealed the following:

1. The road construction cost estimates were last revised in 2011 and there appears to be no mechanism currently in place to ensure that these costs are periodically reviewed and revised as necessary.
2. The \$1,000 standard ROW bond amount has not been updated since 1984 to help ensure that it is sufficient to repair any damage to a ROW should a developer default on a project.
3. The schedule in the DPW Design Manual (Section 5-5 Roadway Defect Bond) used to calculate road defect bond amounts has not been revised since 1984.
4. The unit prices on the Erosion and Sediment Control Bond Worksheet used to calculate the required bond amount have not been updated since December 2012. During the audit, however, a planned process was described to review these prices annually and revise if necessary.

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## Effect


Issue 7

The potential that the bond estimates provided would be insufficient to cover the required work should a developer default on their obligation



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**Issue 7**

## Cause


1. Since the County is developer-friendly, DPW has not approached the Board of Supervisors with a request to increase the required ROW bond amount.
2. The Construction Division of DPW no longer has a position dedicated to ROW projects; as a result, Division personnel do not have the time to provide estimates of ROW projects.
3. The DPW Design Manual is currently in the process of being revised but has not been approved yet.

## Criteria

The cost basis of estimates for financial guarantees needs to be reviewed and revised periodically to reflect the market's current cost that would have to be paid to complete the work should a developer default on a project.




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**Issue 7**

## Recommendation

1. DPW should periodically consult with the County Manager to consider revisions to cost estimates for the following bonds:
  - a. ROW
  - b. road construction cost portion of performance bonds
  - c. road defect
  - d. erosion and sediment control
2. Management should consider publishing the schedule to calculate road defect bonds (Section 5-5 of the DPW Design Manual) as an appendix or a separate attachment to the Manual as a means to communicate cost revisions on a timely basis without having to wait for approval of Manual revisions.



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**Issue 7**


## Management Action Plan

#	Management Action Plan	Completed By	Date
7.1a-7.1d	The DPW Director will consult with the manager to determine if a CPI-U increase or a regular increase in these bonds should be considered.	DPW Director	11/30/17
7.2	The DPW Director will consult with the County Manager to determine if this is desirable.	DPW Director	12/15/17


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**Issue 8**

## Enhance the Control and Monitoring of Drawn Funds Related to Defaulted Bond Projects



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## Condition Issue 8

DPW provided a spreadsheet listing of ten projects (all Erosion & Sediment Control) whose bonds were drawn between December 2008 and March 2015, six (\$218,721) of which were currently open and active. The spreadsheet, however, contained no notes or comments indicating the status of the projects. As such, it could not be determined if regular and consistent follow-up efforts were taking place and if the drawn funds would be sufficient to cover the required work. Furthermore:

1. There are no systems (electronic or manual) where status updates for these projects are documented; the Access Database does not have a notes section to meet this need.
2. Documented draw procedures do not address:
  - a. how the funds should be disbursed (i.e. process an ADI to transfer the funds so that the check can be cut);
  - b. what to do if the drawn funds are insufficient to cover the required work;
  - c. follow-up frequency, documentation requirements, etc.


In addition, these procedures appear to indicate that these funds are posted to Oracle AR when they are not.


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## Condition Issue 8

3. There were apparent overdue refunds to developers:
  - a. The funds (\$20,000) for a project-drawn on 3/23/10 were released to the developer on 2/27/17 when it was determined that the required work had been completed by the DPW inspectors in 2014. The Administrative Division had never received the Bond Release Inspection Report.
  - a. The funds (\$2,500) for a project drawn on 12/15/08 were released to the developer on 2/28/17 after follow-up revealed that the developer had completed the work after the draw was processed. Follow-up revealed that this refund check was returned on 3/20/17 as undeliverable.
4. The drawn funds held in the G/L account (County Deposits Held for Project Completion) are not periodically reconciled. After the drawn funds are posted, however, the Administrative Division ensures that the monies are credited to the proper account.
5. There is no established process to regularly follow-up on defaulted projects to help ensure that the drawn funds will cover the required work.


  
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## Effect

### Issue 8

1. Difficulty determining:
  - a. The current status of the project
  - b. The frequency of follow-up efforts
  - c. Whether or not the drawn funds are expected to cover the required, outstanding improvements
2. No documented procedures to follow for training and reference purposes
3. The potential for/that:
  - a. Customer service issues with the developer could develop if drawn funds are not returned in a timely manner upon completion of the required work.
  - b. Drawn funds are insufficient to cover the required work as follow-up was not performed on a timely basis allowing labor and material prices to increase.



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## Cause

### Issue 8


1. Never had to deal with drawn funds on defaulted projects before the recent recession
2. Lack of timely follow-up/inspections on defaulted projects

## Criteria

Best business practices dictate that projects are to be followed up on regularly with relevant and useful information including progress updates documented and reported for effective management decision making purposes.




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## Issue 8

# Recommendation

1. The current tracking system should be enhanced to allow for more detailed documentation of defaulted project statuses, follow-up efforts and clear tracking and reporting of estimated costs to complete the improvements including the actual costs incurred to see if the drawn funds will be sufficient. Consideration should be given to utilizing the Access database in a modified manner with a notes section to monitor, track and document status updates related to drawn projects.
2. Documented draw procedures should be updated as indicated.
3. A process should be established to monitor/inspect defaulted projects on a regular, consistent basis.
4. Periodic reconciliations should be performed of the G/L account where the drawn funds are posted.



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## Issue 8

# Management Action Plan

#	Management Action Plan	Completed By	Date
8.1	Will add notes to current spreadsheet regarding status.	Business Supervisor	12/30/17
8.2	Administration will update procedures to include process for projects that have been drawn.	Business Supervisor	12/30/17
8.3	Administration will discuss best way to monitor document defaulted projects with Construction & Environmental Division.	Senior Controller	12/30/17
8.4	Administration will include drawn funds in monthly reconciliation.	Business Supervisor	12/30/17

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**Issue 9**

**Develop a Process to Ensure  
Agreements and Bonds  
Required for Communication  
Companies are in Place**



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**Condition**

**Issue 9**


The County requires that a Consent Agreement be signed by communication companies to establish conditions for use of the County's ROW's. This agreement includes insurance specifications and a schedule for calculating the required financial guarantee. It was determined that Comcast did not have a Consent Agreement on file.

The Comcast agreement provided by DPW was determined to be a Franchise Agreement. General Services holds the cable franchise for the County and has copies of the Franchise Agreements for Comcast and Verizon.

There was no coordination between General Services and DPW which receives the required franchise bonds that pertain to work in the County's ROW's to ensure that all bond-related requirements of the Franchise Agreements were met.

- During our walkthrough, we noted that DPW holds a \$50,000 Comcast surety franchise bond in lieu of the LOC required by the Franchise Agreement.
- The \$50,000 LOC required by the Verizon Franchise Agreement was not on file in General Services or DPW.






## Issue 9


# Effect

The potential that the County has to pay to repair damage in its ROW's as the result of work performed by these communication companies

# Cause

1. Management had not established a process to ensure that:
  - a. Comcast had the required consent agreement signed
  - b. franchise bonds required by the cable franchise agreements are in place
2. The terms of the Consent Agreement drafted in reaction to the telecommunications split and code changes for competition in the early 2000's were never agreed upon; therefore, Comcast never signed the document.
3. Comcast's predecessor (Continental Cablevision) was not considered to be a communications company; therefore, a Consent Agreement did not have to be signed.


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## Issue 9

# Criteria

1. The County requires a Consent Agreement, which includes a schedule for calculating financial guarantees, be signed and recorded before communication companies can place facilities within County ROW's
2. Code of Henrico –  
Chapter 18 – Streets, Sidewalks and Other Public Property; Article II.- Work in Public Streets and Rights-of-Way  
Sec. 18-42. - Bond.  
Any person performing work under section 18-39 who has not filed a performance bond in the amount of at least \$1,000.00 shall furnish bond in an amount determined by the director.
3. DPW's Administrative Division Procedures state that Verizon and Comcast have bonds on file that cover their ability to work in County ROW's.




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## Issue 9

# Recommendation

1. Processes should be established to ensure that:
  - a. communication companies including Verizon and Comcast have the following on file in order to work in County ROW's:
    - i. signed Consent Agreements including Certificates of Insurance for the proper amounts of coverage
    - ii. required type and amount of financial guarantees posted (and ensuring that the expiration dates are properly monitored)
  - b. Franchise bonds required by cable franchise agreements are in place and meet the requirements of the agreement.



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## Issue 9

# Management Action Plan

#	Management Action Plan	Completed By	Date
9.1ai	Construction Division will provide Administration sign consent agreements for communication companies (Verizon & Comcast) for files.	Construction Division Director	9/25/17
9.1aii	Consent Agreement will include amount of guarantee. Administration & Construction will seek guidance from County IT experts to create a ROW/Escrow/Defect database. Key elements to be included: expiration dates of the financial guarantee and purpose/status of project. In the meantime, Administration will set-up the same expiration date monitoring process as other financial guarantees.	Business Supervisor	1/31/18
9.1b	DPW will work with the Department of General Services to identify who is responsible for cable franchise agreements and the associated bonds.	Senior Controller	3/31/18

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**Issue 10**

## **Establish a Process to Verify the Current Financial Status of Financial Institutions and Surety Companies**



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## **Condition**


**Issue 10**

1. Prior to the acceptance of LOC's from developers, no process had been established to verify the current financial status of the issuing financial institution.
2. Surety company ratings were not verified as a part of the surety bond set-up and approval process.

## **Effect**




The surety bond or the LOC could prove to be useless during the draw process.



**Issue 10**

## Cause


Management had never considered implementing this verification.



## Criteria

Best business practices dictate that entities receiving LOC's or surety bonds establish a policy that sets forth acceptable rating grades for financial institutions and surety companies. Then, before an LOC or surety bond is accepted, the institution's rating is verified, documented and approved by management.


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**Issue 10**

## Recommendation

We recommend that management work with Finance to consider developing a methodology to verify, document and approve as acceptable the current financial status of financial institutions and surety companies prior to accepting LOC's or surety bonds from developers.



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**Issue 10**

## Management Action Plan


#	Management Action Plan	Completed By	Date
10	DPW will follow-up with Finance to determine their guidance on this issue.	Senior Controller	11/1/17

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## Other Observations

The following slides include additional observations noted during our audit which were considered less critical in reaching our conclusions on the audit objectives.



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**Other Obs. 1**

**Update Related Procedures and Implement a Periodic Review Process**

1. Workflow procedures had not been documented for Escrow Bonds.
2. The financial guarantee workflow procedures referenced specific employee names rather than position titles. In a few instances, "I" and "me" were listed making it difficult to determine which position is responsible for the task described.
3. Procedures were not dated.
4. The Administrative Division's Office Procedures state that all monies received should be deposited within five (5) business days of receipt which is not consistent with Finance's policy of three (3) working days.
5. The Environmental Database Procedures state that the inspectors update the Status field to "Released" on the Project Status tab of the Access database when this action is limited to only the Senior Inspector.
6. The procedures related to ROW Permits state that refund checks related to cash bonds are mailed to the contractor with a letter; however, letters are not sent with refund checks.



**Other Obs. 1**

**Recommendation**


Management should:

1. Document workflow procedures related to the Escrow bond process.
2. Update the financial guarantee procedures to include the position title responsible for the task described.
3. Add an effective date to all financial guarantee, administrative and environmental inspectors' procedures and implement a change control process including version controls whereby internal procedures are reviewed periodically with any necessary updates made at that time.
4. Ensure that the Administrative Division Procedures are consistent with Finance's policy regarding the timely deposit of cash and checks.
5. Ensure that procedures related to the Environmental Database and ROW Permits are updated as indicated.



**County of Henrico  
Internal Audit Report #261  
DPW - Management of Financial Guarantees**

**Other Obs. 1**




## Management Action Plan

#	Management Action Plan	Completed By	Date
OO1.1	Administration will document business process related to Escrow bond procedures.	Business Supervisor	12/30/17
OO1.2	Administration will delete names and add position titles to financial guarantee procedures.	Business Supervisor	12/30/17
OO1.3	DPW will work across Divisions (Administration, Construction, etc.) to add effective dates to all internal procedures and to establish a change control process to help ensure that procedures are reviewed periodically and updated as necessary.	Business Supervisor	12/30/17
OO1.4	Administration will update current financial guarantee procedures to match County policy. 3 versus 5 days for deposit of cash & checks.	Business Supervisor	12/30/17
OO1.5	Current procedures for Administration & Environmental will be reviewed and updated.	Business Supervisor	12/30/17

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**Other Obs. 2**




## Implement Data Monitoring Controls

The Administrative Division did not have a monitoring control process to help ensure that financial guarantee information is completely and correctly input into the database.

**Recommendation:**  
Management should extract data, sort and review it to check the reasonableness of fields such as “Bond Type”, “Expiration Date” and “Status” to ensure financial guarantee information is correct, consistent and complete.



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**Other Obs. 2**

## Management Action Plan

#	Management Action Plan	Completed By	Date
OO2	DPW Sr. Controller will review Administration Access database and ROW s for reasonableness as part of reconciliation review.	Senior Controller	12/30/17

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**Other Obs. 3**

## Scan and Save Original Financial Guarantee Documents Electronically

Original financial guarantee documents were not scanned and saved. The originals were kept in project files in filing cabinets in the Administrative Division.


**Recommendation:**

We recommend that DPW ensure that all financial guarantee agreements and related amendments are scanned and saved electronically in folders on a shared drive that is backed-up nightly by IT.



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Other Obs. 3

## Management Action Plan

#	Management Action Plan	Completed By	Date
OO3	DPW will scan financial guarantees on share drive.	Office Assistant IV; Business Supervisor	3/31/18

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Other Obs. 4

## Review Access to Database


Discussions with the system administrators and a review of access to the network folder where DPW's Access Database system resides revealed:

1. Access functionality was built in both at the network folder level where the Access database resides and to the database itself; however, there is only one database username and password for users and only one username and password for administrators which makes it impossible to review specific access. We noted the following:
  - a. Access reviews had not been recently performed where possible (i.e. at the network folder level) to determine who can get to the database with change, full control or read-only capabilities.
  - b. Based on testing of network folder access:
    - i. A generic userid no longer needed had not been deactivated.
    - ii. Five employees who work in agencies other than DPW had "Change" or "Full Control" access to this network folder which may no longer be needed.
    - iii. Six DPW employees had duplicate access (i.e. "Change" and "Full Control"; "Change" and "Read" or "Full Control" and "Read").

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**Other Obs. 4**

**Recommendation**

1. DPW IT Manager should:
  - a. review the current network folder access for unused generic userids and other unnecessary and/or duplicate userids and communicate any changes and/or deactivations to Information Technology
  - b. perform periodic reviews of this network folder access, going forward, to ensure all users are current employees who need the permissions to perform their job duties.



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**Other Obs. 4**

**Management Action Plan**

#	Management Action Plan	Completed By	Date
OO4.1a	Using DPW current employee report from ORACLE and network folder access information from IT, DPW IT staff will review to remove any generic IDs and make any necessary changes with County IT.	DPW IT Manager	1/31/18
OO4.1b	Using DPW current employee report from ORACLE and network folder access information from IT, DPW IT staff will perform periodic reviews to make any necessary changes with County IT.	DPW IT Manager	6/30/18


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### Implementation of Control Improvements during the Audit


#	Control Weakness Observed	Control Improvement Implemented
1	No Verizon or Comcast ROW bonds were on file based on the 8/26/16 data file.	A Verizon ROW surety bond for \$1,000,000 effective 12/14/16 was received.  A Comcast ROW surety permit bond for \$10,000 effective 5/7/15 was signed, sealed and dated on 10/12/16 but was described on the bond certificate as a franchise bond.
2	Verizon's Consent Agreement was not fully executed.	Verizon's Consent Agreement dated and signed by a company representative on 7/7/16 was signed by Public Works on 10/26/16.
3	Escrow LOC agreement form approved in October 2015 was not on DPW's website.	As of 8/25/17, this agreement form had been loaded on DPW's website.

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## Closing

- Appreciate Agency's cooperation
- Follow up on open Action Plans will be performed as completion dates are reached or after sufficient time has passed to ensure the actions are effective and on-going.




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## Report Distribution

Audit Committee (Mr. Hinson, Mrs. O'Bannon, County Manager)	Board of Supervisors, Non-Committee Members
Deputy County Manager for Community Operations	Director of Public Works
Internal Audit Staff	

Henrico County Internal Audit 107



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