

Internal Audit Report on Division of Fire Expenditures FY2020

County of Henrico



*Proud of our progress;
Excited about our future*

**Internal Audit Report #284
May 10, 2021**

HENRICO COUNTY INTERNAL AUDIT
<http://henrico.us/audit>
4305 EAST PARHAM ROAD
P.O. BOX 90775, RICHMOND, VIRGINIA 23273-0775

Internal Audit Report on Division of Fire Expenditures FY2020



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Summary

- Scheduled Audit
- Conclusions on Audit Objectives:
 - Determine controls exist and are operating effectively to ensure compliance with policies and procedures for non-personnel expenditures including travel
 - Determine that controls exist and are operating effectively to ensure Agency Head transactions are properly approved
 - Determine that adequate controls exist and are operating effectively to ensure compliance with policies for personnel expenditures including overtime
 - Determine adequate controls exist over fixed assets
 - Determine adequate controls exist over inter-departmental transfers
- Exception Oriented
- No Reportable Issues and 4 Other Observations
- Control Improvement Implemented during the Audit
- Management Action Plans have been developed to address all risks identified



Insufficient-Immediate Attention



Improvement Needed



Sufficient

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Contents

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



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Introduction

- Auditor III Joyce Aikor-Richardson 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
- Work for same Government we audit



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Budget Highlights

- The Division of Fire's budget for FY2019-20 is \$64,769,866, representing a net increase of \$3,251,540 or 5.3 percent from the previous approved budget. The personnel component increased by a net difference of \$2,275,921 or 4.1 percent from the previous approved fiscal year.
- This component reflects a salary increase for FY2019-20 as well as rising health care costs. Funding of \$193,770 is included for temporary salaries and associated FICA to address increasing costs in this area. In addition, overtime and associated FICA was adjusted by \$26,912 to support the Henrico Fire Officers Academy. Outside of these adjustments, the Deputy County Manager for Public Safety position was transferred to the Division of Fire during FY2018-19.

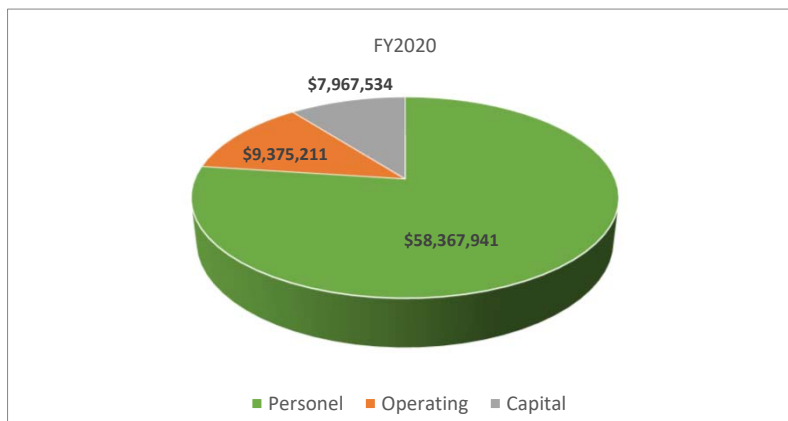
Excerpt from FY2019-20 Approved Annual Fiscal Plan

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Scope FY20



Total \$75,710,687 expenditures July 1, 2019 to June 30, 2020 with total capital assets of \$49,737,517. We excluded some COVID19 Technology replacement fund expenditures since those were County-wide.

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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



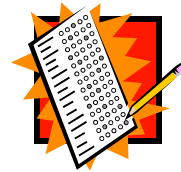
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Audit Methodology

- Determined expenditure-related processes and control procedures
- Evaluated strengths and weaknesses of control procedures
- Randomly sampled recorded transactions and traced to supporting documents for accuracy and compliance with policy
- Randomly sampled capital assets and verified existence



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Conclusions on Audit Objectives

- Determine controls exist and are operating effectively to ensure compliance with policies and procedures for non-personnel expenditures including travel *Other Observations 2,3, and 4*
- Determine that controls exist and are operating effectively to ensure Agency Head transactions are properly approved
- Determine that adequate controls exist and are operating effectively to ensure compliance with policies for personnel expenditures including overtime
- Determine adequate controls exist over fixed assets
- Determine adequate controls exist over inter-departmental transfers *Other Observation 1*



Insufficient-Immediate Attention



Improvement Needed



Sufficient

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Issues

None



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Other Observations

1. Unreconciled Totals for Transactions Posted for Nourish Henrico Program
2. Ensure All Travel is Settled within 14 Days of Return
3. Ensure All Invoices Submitted for Scanning and Attachment into G/L are Initialed and Dated
4. Invoices were not Paid Timely



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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 our audit objectives.

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Other Observation 1

Unreconciled Totals for Transactions Posted for Nourish Henrico Program

- One sampled IDT transaction was an adjusting expenditure entry in the amount of \$39,507.92 posted by Accounting to reclass some Nourish Henrico Program ("the Program") transactions. Accounting maintained logs submitted by restaurants which listed meals provided to front-line employees (some named and some not) that had been used to make payments during the pandemic.

While the logs were agreed to the entry with a minor difference, the underlying supporting staff receipts for all the logs included in the entry could not be efficiently gathered to support the validity of the resulting expenditure entry given the volume of the program (~18,000 transactions) with support maintained separately across 10 different agencies.



Additionally, Fire did not have a copy of the adjusting entry and Accounting's available backup to support and confirm the amounts posted to their accounts.

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Other Observation 1

Unreconciled Totals for Transactions Posted for Nourish Henrico Program (cont.)

- We also found 6 transactions for Direct Payments related to the Program did not agree to supporting documents reviewed (with differences ranging from 4 cents to \$511.24) and 1 transaction for Direct Pay of \$7,500 or more totaling \$10,847.95 did not agree to supporting documentation.

Recommendation

Given that this program ended in FY20, going forward the Division of Fire should attempt to collect available supporting documents (i.e., journal entries and backup) and agree to any transactions posted into their Cost Center by any other Agency.

Should a similar program be established in the future, the agencies should work together, involving Internal Audit as necessary, to ensure additional controls are designed to increase the efficiency of reconciling the G/L accounts to the underlying documentation.

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Other Observation 1

Management's Action Plan

During the program implementation, the DOF created and distributed an internal Directive providing staff with procedures for Nourish Henrico transactions. We internally monitored and reconciled Fire personnel transactions until payments transitioned to the Finance Department. In the future, we will work with Finance and Internal Audit to ensure better controls are in place for any similar program and attempt to collect supporting documents for transactions posted into Fire cost centers.

BY WHOM: Director of Administration/Fire Controller/
Finance Accounting Division Director

EXPECTED COMPLETION DATE: March 27,2020



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Other Observation 2

Ensure All Travel is Settled within 14 Days of Return

- Review of Agency Head (including Deputy) expenditures revealed 2 of 5 transactions (40%) that were instances of travel greater than \$300 which were settled more than 14 days after return.
- Review of travel expenditures for general staff revealed 13 of 24 (54%) of travel greater than \$300 were settled more than 14 days after return.

This is the required timeframe per County policy designed, in part, to help ensure any advanced travel funds not spent are returned timely. No funds were to be returned to the County for any of these instances of employee travel.

Recommendation

Agency should ensure all travel is settled within 14 days of return in compliance with travel policy.

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Other Observation 2

Management's Action Plan

We have adjusted our internal travel policy to require settlement within 7 days of return with a disciplinary process for repeat offenders.

BY WHOM: Director of Administration and Controller

EXPECTED COMPLETION DATE: December 15, 2020



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Other Observation 3

Ensure All Invoices Submitted for Scanning and Attachment into G/L are Initialed and Dated

- 24 of 158 (15%) of purchase order expenditure invoices sampled were not initialed on the support scanned into the G/L but were check marked to indicate review for goods and services received prior to payment. *Agency made comments on 20 of the exceptions regarding why those were not initialed (e.g., other approval documentation was maintained outside the system for 18 items and 2 were processed by General Services related to CIP).*
- 20 of 158 (13%) of direct pay expenditure invoices sampled were not initialed on the support scanned into the G/L but were check marked to indicate review for goods and services received prior to payment.

Recommendation

Ensure all scanned invoices attached into the G/L are initialed and dated to indicate review and accountability for goods and services received prior to payment.

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Other Observation 3

Management's Action Plan

We adjusted our processes after transitioning to remote work during COVID to include electronic signatures within Adobe.

BY WHOM: Controller

EXPECTED COMPLETION DATE: January 2, 2021



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Other Observation 4

Invoices were Not Paid Timely

- 1 of 158 (1%) of direct pay expenditure samples was paid more than 45 days after invoice date but no late payment fee was paid. As no late fee was paid, there was no overall effect.
- 5 of 158 (3%) of purchase order expenditure samples were paid more than 45 days after invoice date but no late payment fee was paid. As no late fee was paid, there was no overall effect. *Agency indicated that 3 of the items were paid late due to the invoice not initially being sent by the vendor until open P.O.'s were researched by the Agency.*

Recommendation

Ensure prompt payment of vendor invoices defined as the due date or, if no due date, then not more than 45 days from the invoice date

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Other Observation 4

Management's Action Plan

We have implemented a direct pay log to better track and follow-up with program managers on outstanding expenditures. We are running open PO reports monthly and following up with program managers on any which have been open more than 45 days.


BY WHOM: Controller

EXPECTED COMPLETION DATE: August 26, 2020
and May 3, 2019



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Implementation of Control Improvement during the Audit

Control Weakness Observed	Control Improvement Implemented
<ul style="list-style-type: none"> Some invoices sampled were not date stamped upon receipt. <p><i>It should be noted that the majority of observed exceptions occurred after the transition to remote work in response to COVID.</i></p>	<ul style="list-style-type: none"> Agency took corrective action and staff were trained to electronically date stamp invoices via PDF.


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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 that actions taken are effective and ongoing.



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Report Distribution

Audit Committee (Mrs. O'Bannon, Mr. Thornton, County Manager)	Board of Supervisors, Non-Committee Members
Deputy County Manager for Public Safety Deputy County Manager for Administration	Chief of Fire Director of Finance
Internal Audit Staff	

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Audit Contact Information

Joyce Aikor-Richardson, Auditor III

Phone: 804-501-4493

E-Mail: aik11@henrico.us

Vaughan Crawley, Director of Internal Audit

Phone: 804-501-4292

E-Mail: cra85@henrico.us

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