

Internal Audit Report on Agency Head Turnover Procedures- Permit Center Expenditures FY25



Report #301
January 30, 2026

Audit Summary

- Scheduled Audit
- Conclusions on Audit Objectives (4 are sufficient, 1 needs improvement) (see Slide 13):
- Exception-oriented
- No reportable issues and 7 other observations
- 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 (none), Other Observations, and Management Action Plans
- Closing and Report Distribution

Introduction

- Auditor Stephen White 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

Background

Functions of the Permit Center:

- The hub for all residential permitting in Henrico County.
- Most walk-in permits for residential additions may be issued within one and a half hours or less.
- Exceptions include improvements on property that does not have access to public water and/or sewer and two-story additions.
 - These need to be reviewed by engineers in Building Inspections.

Source - <https://henrico.gov/permitcenter/permits/>

Background: Continued From Slide 5

- In addition to plan review, the Permit Center will assist with account creation, site navigation, and scanning of permit documents for upload to Build Henrico.
- Review and issuance of a permit is possible same-day assuming all required plans and documents are provided by 3:00 PM, limited to the project types:

- One-Story Additions
- Decks
- Porches, screened or open
- Sun rooms
- Sheds, greater than 256 square feet
- Swimming Pools / Pool Barriers (fences)
- Interior Alterations / Finish Off Space (attics, basements, etc.)
- Re-submittals on existing permits
- Sub-trade Permits (Electrical, Mechanical, Plumbing)

Source:

<https://henrico.gov/permitcenter/who-what-when-where/>

*Building Permits on properties that do not have access to public utilities must be reviewed by the Virginia Department of Health and may not be walked through.

Background: Continued From Slide 6

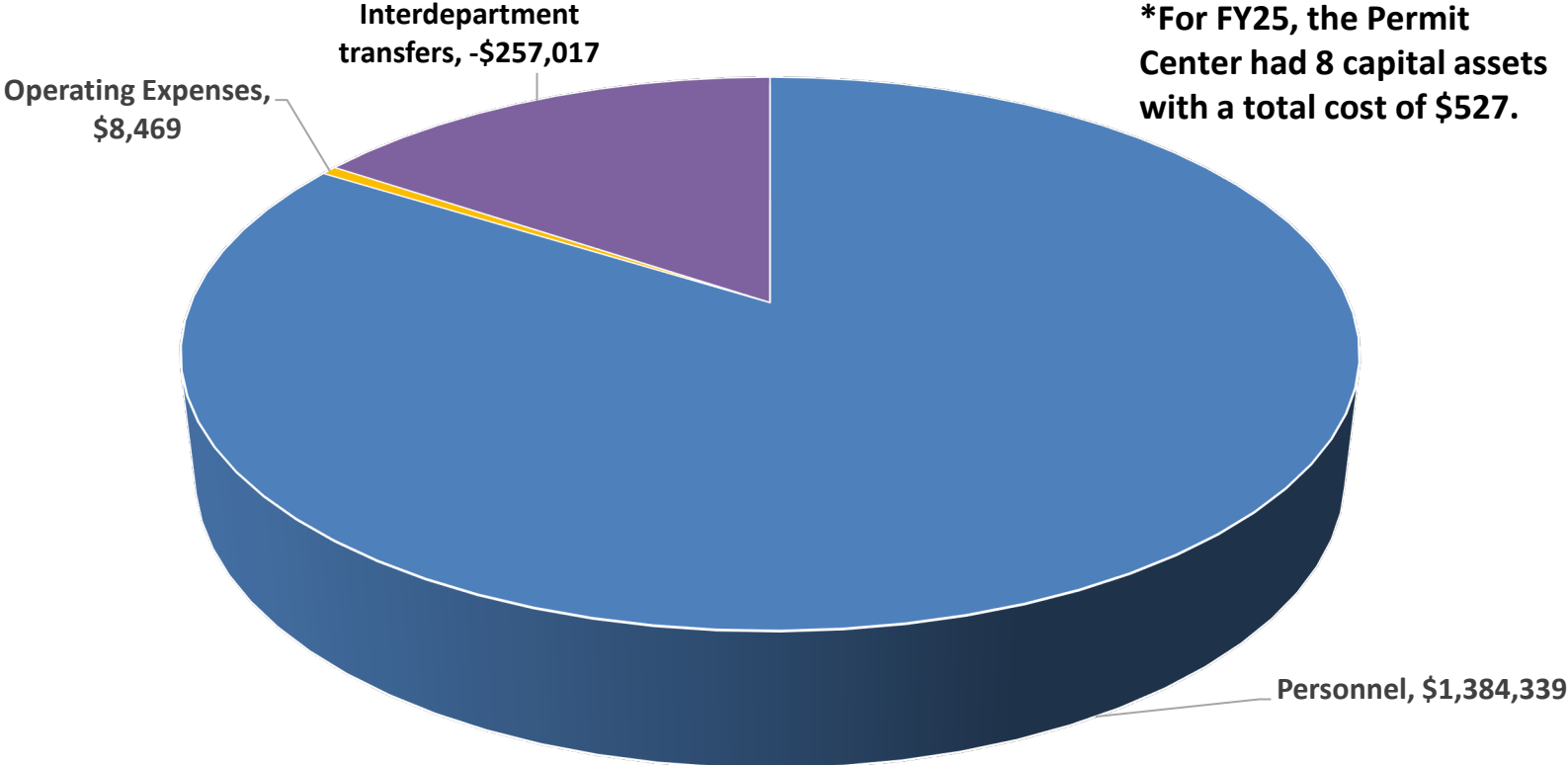
Organization of the Permit Centers

- As of 5/9/25, comprised of 15 individuals:
 - Director of Community Development
 - Assistant Director
 - Two administrative support staff members (Administrative Assistant & Office Assistant IV)
 - Two Community Development Supervisors
 - Senior Community Development Technician
 - Four Level III Community Development Technicians
 - Two Level II Community Development Technicians
 - Two Level I Community Development Technicians
- Services are provided at both the Eastern and Western Government Centers

Audit Scope

(FY25 Expenditures)

*For FY25, the Permit Center had 8 capital assets with a total cost of \$527.



■ Personnel ■ Operating Expenses ■ Capital * ■ Interdepartment

Audit Scope

Budget vs. Actual Expenditures
(FY25)

Expenditure	Revised Budget	Actual
Personnel	\$1,397,762	\$1,384,339
Operating	\$25,386	\$8,469
Capital Outlay	\$9,922	\$ 527
Interdepartmental Billings*	\$(282,826)	\$(257,017)
GRAND TOTAL	\$1,150,244	\$1,136,318

* Reflects the reimbursement of four positions (2 Public Works; 2 Public Utilities) assigned to the Permit Center, which are reflected in the Permit Centers' personnel complement.

Internal Controls

Objectives

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

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

- 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
- Confirmed all capital assets

Conclusions on Audit Objectives

Improvement Needed (Other Observations 1-7):

Determine that controls exist and are operating effectively to ensure compliance with policies & procedures for non-personnel expenditures, including travel

Sufficient:

Determine that controls exist and are operating effectively to ensure Agency Head transactions are properly approved

Sufficient:

Determine that adequate controls exist and are operating effectively to ensure compliance with policies for personnel expenditures including overtime

Sufficient:

Determine adequate controls exist over fixed assets

Sufficient:

Determine adequate controls exist over inter-departmental transfers

Issues

Reportable Issues:

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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.

List of Other Observations (00)

- 00.1.** Approval/Accountability Not Documented on Invoices
- 00.2.** Improper Account String Used
- 00.3.** Celebration Supplies Purchased Without Sufficient Approval Documentation
- 00.4.** No Documentation Attached For Per Diem Meals Paid
- 00.5.** Invoices Not Paid Timely
- 00.6.** Date Stamp Not Observed
- 00.7.** Sales Tax Reimbursed

OO.1- Approval/Accountability Not Documented On Invoices

Direct Pay: Five (5) out of 6 (83%) direct pay invoices were missing an approval signature with 'OK to Pay' written or an approval email. This amounted to \$571, or 35% of the total \$1,621 of the sampled expenditures.

Purchase Order: Of the 45 purchase order transactions tested, 3 or 6.7% were missing the initials on the invoice which are to indicate a review by the agency. The total of these 3 samples was \$63, or 1.9% of the \$3,375 sampled purchase order expenditures.

Required per County Accounts Payable Procedures

OO.1 - Recommendation

The Director of Community Development should communicate the importance of making sure invoices are properly initialed with "OK to Pay" written along with the date.

The Director should also ensure that all received invoices have the receiving employee's initials and date indicating the invoice has been properly reviewed by the Agency.

OO.1 -Management Action Plan

The Director has provided a copy of this finding to staff involved with invoice payments. This group will also meet at the conclusion of the audit to discuss this issue (and all others) and review Accounts Payable Procedures. “OK to pay” with initials/date must be on all invoices or in an attached email.

- **By Whom:** Director, Administrative Assistant, Office Assistant
- **Expected Completion Date:** 3/3/2026

00.2 - Improper Account String Used

Fourteen (14) of 18 (77.8%) transactions (totaling \$594 of \$754) sampled from travel, training, and education expenditure accounts were invoices for office supplies. The purchase order (P.O.) and corresponding matched invoices were assigned to the Education and Training account instead of Office Supplies.

Noted that this account coding error was detected and 9 of these 14 transactions (totaling \$313) were corrected with an adjusting entry. The remaining 5 (totaling \$281 or 28% of the 18 total transactions tested) were not corrected.

00.2 - Recommendation

The Department Approver should review all requisitions for purchase orders and other purchases in the accounting system to ensure that the correct account string is used.

OO.2 - Management Action Plan

Management has discussed this issue with staff. Nine out of fourteen items assigned to the incorrect account were corrected. Staff must follow-up in any similar cases to ensure the resolution is complete and ongoing.

- **By Whom:** Director, Administrative Assistant
- **Expected Completion Date:** 11/18/2025

OO.3 -Celebration Supplies Purchased Without Sufficient Approval Documentation

We noted 2 instances of 6 (33%) direct pay transactions where employees were reimbursed for celebration supplies but did not have documented pre-approval by a direct report to the County Manager. This accounted for \$398 (25% of the \$1,621 total value of the sampled expenditures.)

OO.3 - Recommendation

Management should ensure that all supplies purchased for a celebration event are approved by the County Manager or a direct report and such documentation is retained and attached with the supporting documentation.

OO.3 -Management Action Plan

The Director has discussed this item with Department managers. All celebrations will be potluck or paid by individuals as they were before.

- **By Whom:** Director, Assistant Dir., Supervisors
- **Expected Completion Date:** 12/9/2025

OO.4 -No Documentation Attached For Per Diem Meals Paid

We noted 2 instances totaling \$80 where a meal per diem was paid, but no conference agenda or other supporting documentation was attached in the financial system to substantiate the necessity of the per diem.

The department was able to contact the conference provider during the audit to obtain information confirming the conference dates, location, meals not provided, and the employee's attendance to validate the payments.

OO.4 -Recommendation

The Director of Community Development should send out reminder guidance to staff explaining that employees should attach the conference agenda or other supporting documentation to per diem reimbursement requests to help ensure the nature of the payment is explained and per diems are not paid for meals provided by the conference.

OO.4 -Management Action Plan

The Director has discussed this item with Department managers and administrative staff. Reimbursement requests must include documentation as to the purpose and nature of the travel, including a detailed conference program.

- **By Whom:** Director, Assistant Dir., Supervisors, Administrative Assistant, Office Assistant
- **Expected Completion Date:** 11/18/2025

OO.5 -Invoices Not Paid Timely

- Two (2) invoices out of 45 (4%) purchase order expenditures were paid late. These 2 invoices totaled \$59, which was 2% of the \$3,375 tested.
- One was paid 100 days late. No late fees were observed.

00.5 -Recommendation

Management should ensure that all invoices are paid in a prompt and timely manner.

00.5 -Management Action Plan

The Director has discussed this issue with staff involved with invoice payments. This group will also meet at the conclusion of the audit to discuss this issue (and all others) and review Accounts Payable Procedures. We will ensure back-up approvers are trained to handle payments during absence of primary approver.

- **By Whom:** Director, Administrative Assistant, Office Assistant
- **Expected Completion Date:** 3/3/2026

OO.6 - Date Stamp Not Observed

- One (1) invoice out of 45 (2%) purchase order expenditures tested was not date-stamped upon receipt. This invoice totaled \$26, or less than 1% of the \$3,375 in sampled expenditures.

OO.6 -Recommendation

Management should communicate the necessity to date-stamp all invoices upon receipt.

OO.6 -Management Action Plan

The Director has discussed this issue with staff most involved in purchasing. We will also schedule a Departmental staff meeting at the conclusion of the audit. At this department-wide meeting, we will review broad policies such as this one that may affect any employee in the future. Upon receipt of any delivery, administrative staff should verify receipt of item and date-stamp invoice.

- **By Whom:** Director, Assistant Dir., Supervisors, Administrative Assistant, Office Assistant
- **Expected Completion Date:** 3/10/2026

00.7 - Sales Tax Reimbursed

- Two (2) out of 6 (33%) direct pay transactions included instances of reimbursed sales tax (\$3).

00.7 -Recommendation

Agency should ensure all staff are made aware that the County should not pay sales or use tax. When purchasing goods on behalf of the County, ensure a tax-exempt certificate is obtained from Purchasing and used.

00.7 - Management Action Plan

The Director has discussed this issue with staff most involved in purchasing. We will also schedule a Departmental staff meeting at the conclusion of the audit. At this department-wide meeting, we will review broad policies such as this one that may affect any employee in the future. County purchases are exempt from sales tax.

- **By Whom:** Director, Assistant Dir., Supervisors
- **Expected Completion Date:** 3/10/2026

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.

Report Distribution

- **The Audit Committee (Mr. Schmitt, Rev. Cooper, County Manager)**
- **Non-Committee members of the Board of Supervisors**
- **Deputy County Manager for Community Operations**
- **Director of Community Development (Permit Center)**
- **Internal Audit Staff**

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