Internal Audit Report on Agency Head Turnover Procedures- Building Inspections Expenditures

FY25 and FY26 (through October 31, 2025)

Report #302

April 23, 2026

HENRICO COUNTY
INTERNAL AUDIT

Summary

- Scheduled Audit
- Conclusions on Audit Objectives:
  - **Sufficient -** Determine controls exist and are operating effectively to ensure compliance with policies and 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 that adequate controls exist over fixed assets.
  - **Sufficient -** Determine that adequate controls exist over interdepartmental transfers.
- Exception-oriented
- **0** reportable issues and **3** other observations
- Management Action Plans have been developed to address all risks identified

Contents

Introduction

- Auditor Stephen White performed audit work
- Used professional auditing standards
- Examined controls and tested for selective compliance
- All exceptions given to agency
- Reported control design issues and significant test exceptions
- Work for same government we audit

Background

- The mission of the Department of Building Construction and Inspections is to protect the health, safety, and welfare of the general public by assuring that all buildings and related equipment are constructed, installed and maintained in compliance with the Virginia Uniform Statewide Building Code.

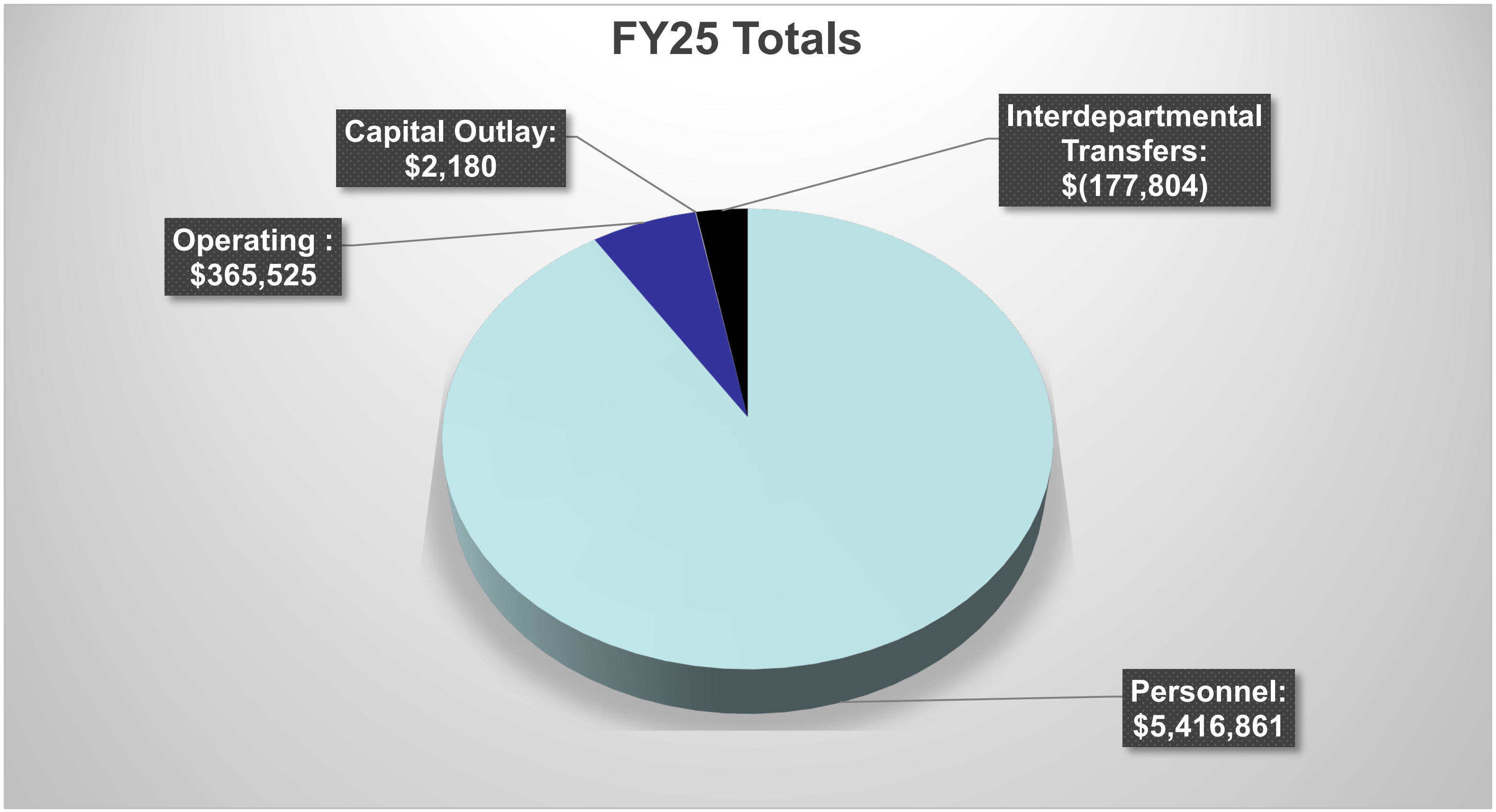
- Values
  - We are dedicated to providing services that are commensurate with our customer's expectations for professionalism and accountability.
  - We are committed to establishing policies and procedures that:
  - Impose no unnecessary burden to the construction and use of buildings and structures.
  - Are consistent, accurate, and practical and minimize confusion and inconvenience.
  - We encourage and welcome suggestions from our customers for improving the quality and efficiency of our services.
  - We recognize our employees are a valuable resource to be treated with integrity, equality, fairness, and respect.

Source - https://henrico.gov/bldg/about-us/

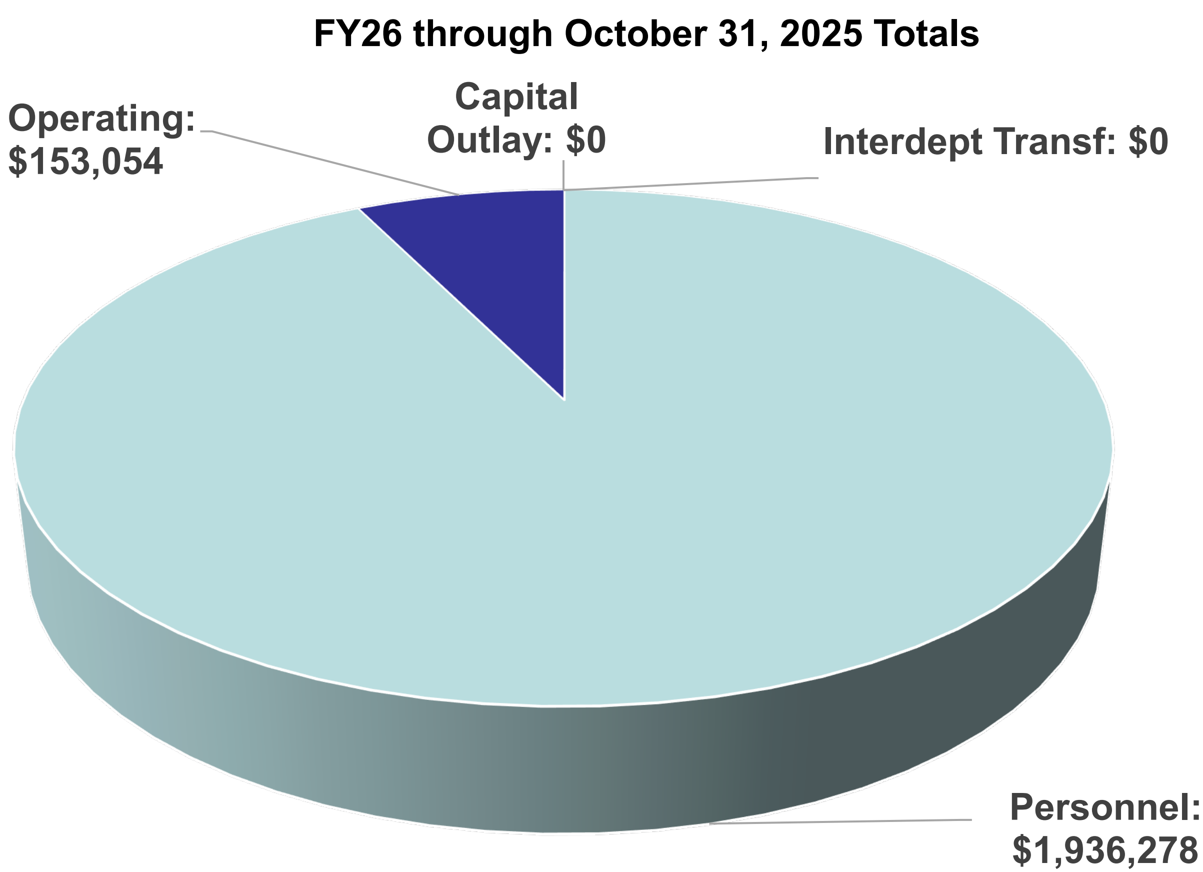
Background cont'd

- Some of the objectives found on the Approved FY26 Budget:
  - To ensure the public health, safety, and welfare affected by the design and construction of buildings and structures in Henrico County
  - To ensure the quality of inspections by field staff through education and certification to State standards
  - To provide services that equal customer expectations for professionalism and accountability
  - To establish policies and procedures that are consistent, practical, workable, and enforceable

Audit Scope:
FY25 Expenditures



Audit Scope:
FY26 Expenditures (through October 31, 2025)



Audit Scope:
Budget vs. Actual Expenditures
FY25

Expenditure	Revised Budget	Actual
Personnel	$5,756,491	$5,416,861
Operating	$410,736	$365,525
Capital Outlay	$300	$2,180
Interdepartmental Billings	$(160,522)	$(177,804)
GRAND TOTAL	**$6,007,005**	**$5,606,763**

Audit Scope:
Budget vs. Actual Expenditures FY26 (through October 31, 2025)

Expenditure	Revised Budget	Actual
Personnel	$6,197,286	$1,934,953
Operating	$287,805	$153,054
Capital Outlay	$300	$0
Interdepartmental Billings	$(175,573)	$0
GRAND TOTAL	**$6,309,818**	**$2,088,007**

*For the period covered by this audit, Building Inspections had 24 capital assets with a total cost of $151,697.

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
- Sampled capital assets and verified existence

Conclusions on Audit Objectives

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

Sufficient: Determine that controls exist and are operating effectively to ensure agency head transactions are properly approved. *Other Observations 2 and 3.*

Sufficient: Determine that adequate controls exist and are operating effectively to ensure compliance with policies for personnel expenditures including overtime. *Other Observation 1.*

Sufficient: Determine that adequate controls exist over fixed assets.

Sufficient: Determine that adequate controls exist over inter-departmental transfers.

Issues

Reportable Issues:

None

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.

Other Observations cont’d

1. Reason for Overtime Not Listed on Timecard
2. Improper Account String Used
3. Sales Tax Reimbursed

Other Observation 1 (OO1): Reason for Overtime Not Listed on Timecard

Fourteen out of 14 (100%) of instances tested where overtime was paid had no reason documented in the timekeeping system data fields.

Of these, nine were Overtime Time and Half, four were Overtime Straight, and one was Overtime On-Call.

Recommendation: The agency should emphasize the importance of documenting overtime reasons and comments in the timekeeping system to support proper justification.

OO1- Management Action Plan

- Supervisors are being briefed on the importance of appropriately documenting the reason for overtime.
- Also, being instructed to emphasize to staff the importance of documenting overtime reasons and comments in the timekeeping system to support proper justification.

By Whom: Deputy Building Official

Expected Completion Date: April 14, 2026

Other Observation 2 (OO2): Improper Account String Used

There was one instance out of 20 sample transactions (5%) where the improper account code was used.

A food purchase was coded to the account for office supplies rather than the account for food supplies and food service supplies. The total value of the purchase was $19, or 0.3% of the $6,626 of the tested sample.

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

OO2 - Management Action Plan

Approvers will review all direct pay in the accounting system to ensure that the correct account string is used.

By Whom: Deputy Building Officials

Expected Completion Date: Immediately

Other Observation 3 (OO3): Sales Tax Reimbursed

Sales tax was reimbursed on one sample out of 20 (5%) payments to the agency head and deputies. This totaled $5.19 or 0.08% of the $6,626 tested.

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 at time of purchase. If sales tax is charged and not recovered, ensure a Sales Tax Justification Form is submitted with the purchasing card transaction or payment invoice for any sales tax exceeding $5.

OO3 – Management Action Plan

Approvers will review all direct pay to ensure the County does not pay sales or use tax.

By Whom: Deputy Building Officials

Expected Completion Date: Immediately

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

- Audit Committee:
  - Mr. Schmitt
  - Rev. Cooper
  - County Manager
- Board of Supervisors, Non-Committee Members
- Deputy County Manager for Public Safety
- Building Official
- Internal Audit Staff

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