



# City of Norfolk

TO: ..... Honorable Council Members ..... FROM: ..... John H. Sanderlin, Jr., City Auditor ..... *JHS*

DATE: ..... June 10, 2013 ..... SUBJECT: ..... Audit of Public Works Follow Up .....

Please find attached our final follow up report on Public Works. Should you have any questions please feel free to contact me at 664-4045.

cc: Marcus Jones, City Manager

# ***Audit Follow-Up***

## ***On Report Issued October 2006***



## **Audit of Public Works**

Audit Report No. 13-7F

June 10, 2013

### **Summary**

We performed an audit of Public Works (PW) in 2006 as a part of our Fiscal Year 2006 Annual Audit Plan. The purpose of this report is to provide the results of our follow-up on the status of the implementation of recommendations from this audit and the effectiveness of those corrective actions. PW performs an important role in city government in helping to build, maintain and operate the physical facilities that support and enhance the lives of Norfolk's citizens, businesses, and visitors, including the City's street network, traffic, management systems, storm water system and waste collection system. Some of the issues initially brought forth in our audit included proper approval and authorization, timely payments, segregation of duties, monitoring of vendor invoices and cell phone processes.

Our follow-up, performed as a part of our Fiscal Year 2012 Annual Audit Plan, indicated that actions was taken to sufficiently close 12 of the 19 recommendations we made. We did not follow up on the remaining seven recommendations because we deemed them immaterial or no longer relevant, or PW took corrective actions during the initial audit. We appreciate the cooperation and assistance of PW staff during our follow-up review.

As required by our professional standards, we provided City Management a draft report for review and comment on April 24, 2013. Being pleased with the fact that all outstanding recommendations have been

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resolved, on June 6, 2013, City Management indicated it had no comments.

### **Scope, Objective, and Methodology**

We limited our review to following up on the status of corrective action taken by PW in regards to recommendations made in our October 2006 audit report *Departmental Audit of Norfolk Public Works*.

We reviewed the original audit report and requested that PW provide documentation to support the progress made on each recommendation. We matched actions taken against the recommendations and followed up as necessary for clarification and additional information.

We used our professional judgment in considering a recommendation closed if current circumstances, facts, or practices satisfied the original recommendation. Specifically, the follow criteria were used:

- Reasonable action was taken to satisfy the original recommendation
- The relevance of the open recommendation in the current environment
- Changes in circumstances that affect implementation
- Relative risk of the recommendation not being performed
- Similarities of other actions taken or practices
- Procedures or controls in place that address the level of risk addressed by the recommendation



- Existence of compensating controls

Our report has been reviewed by PW management and City Management, both of which concurred with our results.

As a follow up to the original performance audit, this engagement is considered a nonaudit service under Generally Accepted Government Auditing Standards (GAGAS). However, we believe that the evidence

obtained provides a reasonable basis for our findings and conclusions.

### Current Status

The table that follows provides a summary of the actions taken and notes the status of each recommendation.

## Audit Report Recommendations and Current Status

RECOMMENDATIONS FROM AUDIT REPORT – OCTOBER 2006	SUMMARY OF ACTION TAKEN	STATUS
<b>Department-Wide Disbursement Testing</b>		
<b>Proper Approval and Authorization</b>		
1. PW should advise financial managers within its division to obtain written authorization for non-recurring expenditures to allow for a documented trail of accountability.	Completed – for larger divisions a procurement form has been implemented.	Completed. Reasonable action was taken to satisfy the original recommendation.
<b>Expenditure Properly Procured/is Justified</b>		
2. PW should remind divisional fiscal managers of the small purchase regulation requiring price quotes and retain documentation evidencing compliance.	Agree – will reemphasize to staff.	Follow up was not performed on this finding because it was deemed immaterial.
<b>Timely Payment</b>		
3. PW should require that invoices be dated upon receipt and emphasize the goal of paying within 30 days. We also suggest that business managers review outstanding purchase orders regularly to more quickly recognize outstanding payments due.	Completed – review of open encumbrances on a regular basis. However, some situations are out of our control. (Ex. computers and software. Items are delivered to IT. We do not pay until received in the Department. This could take several months.)	Completed. Reasonable action was taken to satisfy the original recommendation.
<b>Existence</b>		
4. PW should require signatory evidence of satisfactory receipt on every invoice.	SOP developed on who is authorized to approve invoices.	Completed. Reasonable action was taken to satisfy the original recommendation.
<b>Segregation of Duties</b>		
5. PW should ensure that responsibility for ordering and receiving goods and services is adequately segregated. Where segregation is not possible, strong compensating controls, such as consistent monitoring, should be established.	Person ordering goods is not receiving goods when feasible.	Completed. Reasonable action was taken to satisfy the original recommendation.



<b>RECOMMENDATIONS FROM AUDIT REPORT – OCTOBER 2006</b>	<b>SUMMARY OF ACTION TAKEN</b>	<b>STATUS</b>
<b>Signature Needed</b>		
<p>6. PW should require that travelers sign off on their request for reimbursement and prohibit payments for unsigned travel vouchers.</p>	<p>Travelers are signing form. Note: form requires the person completing the form to sign. The traveler may seek assistance in completing the form. Form should be updated.</p>	<p>Completed. Reasonable action was taken to satisfy the original recommendation.</p>
<b>Resource Utilization and Service Delivery</b>		
<b>Use of Temporary Office Workers Prohibits Learning Curve Efficiencies</b>		
<p>7. PW should request a full time position be established for the bulk waste strike team administrative technician and an additional customer service representative.</p>	<p>Requested as part of the FY 2008 budget. However the positions did not get approved.</p>	<p>Completed. Reasonable action was taken to satisfy the original recommendation.</p>
<b>Occurrence of Missing White Goods High</b>		
<p>8. PW should more frequently monitor white good appliance vendor pick up performance by instituting periodic “ride behinds” or other operational oversight.</p>	<p>Periodic inspections are performed based on staffing and other priorities.</p>	<p>Completed. Reasonable action was taken to satisfy the original recommendation.</p>
<b>Rate Charged to Residents for Bulk Waste Removal Doesn’t Cover Cost</b>		
<p>9. PW should initiate a change to the City code to enable it to charge residents by the cubic yard and thereby hold them accountable for the true cost of large debris pick up.</p>	<p>Do not agree. This is a policy issue regarding citizen services. The recommendation calls for full cost recovery for these particular services. Another option is to cover part of the expense as part of the overall waste management budget. This will be reviewed as part of the upcoming budget process.</p>	<p>Follow up was not performed on this finding because it was deemed immaterial.</p>
<b>Oversight Needed of City Hall Recycling</b>		
<p>10. PW should work with the Department of Finance and Business Services on a process to better monitor the City Hall loading dock recycling dumpster.</p>	<p>Agree and is being implemented.  This function is managed by (not ours) the Department of Finance &amp; Business Services.</p>	<p>Follow up was not performed on this finding because it was deemed not applicable for PW but an audit lead for the Department of Finance.</p>
<b>“Gone on Arrival” and “Return to Owner” Tows Need Closer Scrutiny</b>		
<p>11. The Towing and Recovery Manager should analyze each GOA, reviewing the reason for the initial tow request, to ensure its legitimacy and determine if the dispatch fee can be recovered from the vehicle owner.</p>	<p>Don’t agree. This is a service issue. The current policy allows citizens to remove their vehicles prior to being towed away without penalty. A code change permitting a fee or fine in these instances would be</p>	<p>Follow up was not performed on this finding because it was deemed immaterial.</p>



<b>RECOMMENDATIONS FROM AUDIT REPORT – OCTOBER 2006</b>	<b>SUMMARY OF ACTION TAKEN</b>	<b>STATUS</b>
	required.	
<p><b>12.</b>In future towing contracts, PW should consider making completed documentation for RTOs, including driver signature, a requirement for payment.</p>	<p>This provision is included in the current contract.</p>	<p>Completed. Reasonable action was taken to satisfy the original recommendation.</p>
<p><b>Southeastern Public Service Authority (SPSA) Invoices Require Frequent Correction</b></p>		
<p><b>13.</b>Solid Waste should discuss frequently noted billing mistakes with SPSA to determine if edit checks or other system adjustments are feasible to reduce the likelihood of occurrence and make the bills more accurate.</p>	<p>A sample is taken from every page on the invoice for review.</p>	<p>Completed. Reasonable action was taken to satisfy the original recommendation.</p>
<p><b>Cell Phones</b></p>		
<p><b>14.</b>Re-evaluate the need to continue to pay for cell phone service for employees who rarely have a need for them, as evidenced by consistent low to non existent usage and establish criteria for designating positions that are cell phone eligible.</p>	<p>A review is done on a monthly basis.</p>	<p>Completed. Reasonable action was taken to satisfy the original recommendation.</p>
<p><b>15.</b>Inform employees, through initial and annual agreements to terms of use, of the related costs and responsibilities of their city issued cell phone and prohibitions against the incurrence of unnecessary charges and personal use.</p>	<p>A SOP was developed. Division heads also receive monthly cell phone bills for review and distribution. Employee receives monthly bill with a memo. Memo includes request for reimbursement on non city use calls, and various reminders on what is prohibited.</p>	<p>Completed. Reasonable action was taken to satisfy the original recommendation.</p>
<p><b>16.</b>Emphasize to supervisors the importance of their role in reviewing cell phone bills and instruct them on areas, such as extra charges and entitled discounts, to look for.</p>	<p>Completed</p>	<p>Completed. Reasonable action was taken to satisfy the original recommendation.</p>
<p><b>17.</b>Improve controls over cell phone equipment and accessory purchases, particularly establishing more accountability over issuance. For each purchase require and maintain the customer receipt (showing what was ordered and for whom), a request in writing from the supervisor or designee, and the user or designee signature to evidence receipt when the order arrives. Also consider establishing a log providing a central record of and accountability for all equipment purchases.</p>	<p>Completed. Procedures and a log have been put in place.</p>	<p>Follow up was not performed on this finding because corrective action was taken during the course of the initial audit.</p>



<b>RECOMMENDATIONS FROM AUDIT REPORT – OCTOBER 2006</b>	<b>SUMMARY OF ACTION TAKEN</b>	<b>STATUS</b>
<p><b>18.</b>Request Verizon Wireless reimburse identified overcharges.</p>	<p>Completed.</p>	<p>Follow up was not performed on this finding because corrective action was taken during the course of the initial audit.</p>
<p><b>19.</b>Consider saving costs by obtaining price quotes on cell phone accessories and buying from the cheapest vendor.</p>	<p>Partially Agree. The city has a price agreement with the current vendor which is intended to preclude the need for obtaining items on an individual basis. However, we will pursue cost savings on items more expensive.</p>	<p>Follow up was not performed on this finding because extensive and immediate action was taken by PW during the initial audit.</p>