

Audit Committee of Roanoke City Council

September 7, 2022 at 4:00 PM

215 Church Ave, SW Roanoke, VA 24011

Noel C. Taylor Municipal Building, Room 159 South (EOC)

1. Call To Order

The Committee Chair will call the meeting to order and ask the Secretary to call the roll

2. Approval Of Minutes From June 1 Meeting

Documents:

[2 MINUTES - AUDIT COMMITTEE 6.1.22 FINAL.PDF](#)

3. Annual Report - Audit Committee

Annual report for the fiscal year ending June 30, 2022

Documents:

[3 AUDIT COMM REPORT FY22.PDF](#)

[3.1 ANNUAL REPORT MAD FY22.PDF](#)

4. Clerk Of The Circuit Court Audit 2022

Documents:

[4 CLERK OF THE CIRCUIT CT 3.31.22.PDF](#)

5. Other Business

The Committee Chair will ask if there is any other business to bring before the Committee.

6. Adjournment

If there is no other business, the meeting is adjourned.

# MINUTES

## Audit Committee of Roanoke City Council

**Location:** Emergency Operations Center  
Noel C. Taylor Municipal Building, Room 159 North

**Date:** June 1, 2022

**Time:** 4:04 p.m. to 4:54 p.m.

**Attendees:**

<b>Audit Committee Member</b>	<b>Present (Y/N)</b>
Joseph Cobb (Chair)	Y
Patricia White-Boyd (Vice-Chair)	Y
Bill Bestpitch (Member)	Y
Sherman Lea (Ex-Officio)	N

Drew Harmon, Municipal Auditor

Tim Spencer, City Attorney

Brent Robertson, Assistant City Manager for Community Development

Clarence Grier, Deputy City Manager

Amelia Merchant, Director of Finance

Mary Talley, Accounting Supervisor

Dawn Hope Mullins, Assistant Municipal Auditor

Tasha Burkett, Information Systems Auditor

Cari Spichek, Senior Auditor

Dorothy Hoskins, Senior Auditor

John Aldridge, Partner, Brown Edwards & Company

Jerry Dunivant, President of Covenant Real Estate Services (A Division of Brown Edwards)

**1. Call to Order:**

Mr. Cobb welcomed everyone and called the meeting to order at 4:04 p.m.

**2. Approval of the Minutes from the January 27, 2022 Meeting:**

Mr. Bestpitch made a motion to approve the minutes, Ms. White-Boyd seconded the motion. The minutes were approved and filed.

**3. External Audit Plan for Year Ended June 30, 2022:**

Mr. Aldridge referred the Committee to the plan, noting the following:

- ARPA expenditures are expected to be substantial and will most likely be tested as a major program.

- No changes related to pension or other post-employment benefits are expected this year.
- New accounting standards for leases will be a significant undertaking for Finance. An example of a lease affected by the standard would be a locality renting space on a water tower to a cell phone company. Mr. Aldridge noted that there are 3<sup>rd</sup> parties that can be engaged to assist with implementing the lease standard. One company used by several Brown Edwards clients is Debt Book.

Mary Talley, Accounting Supervisor, stated that she has been in communication with Debt Book and plans to send the City's lease information to them within the next couple of weeks. She believes Finance has about 80% of the lease information from departments. Debt Book's process will take about 90 days to complete. Ms. Talley noted that Debt Book will also be working with the City's debt schedules, which should take about four (4) weeks once they have the City's information.

- Due to past findings the City is classified as a high-risk auditee for purposes of testing expenditures of federal grant funds. Brown Edwards is required to test programs that together account for at least 40% of all grant expenditures.
- Page 14 outlines the timing and location of each phase of the audit.
- Page 15 lists key dates that should be of interest to the Committee.
- Page 16 outlines three (3) of the most significant issues from the prior year's audit, along with the solutions planned for this year.

As he was concluding his remarks on the plan, Mr. Aldridge mentioned staff turnover in Finance as a concern, noting that it takes time to get new people in the building and trained.

Mr. Aldridge then introduced Jerry Dunivant, President of Covenant Real Estate Services. Mr. Dunivant stated that Brown Edwards obtained a controlling interest in Covenant two and a half years ago. Covenant provides title and settlement services for both residential and commercial real estate. The City Attorney's Office recently contracted with Covenant to provide title and settlement services after the City's current provider pulled out of the business. Brown Edwards has vetted this relationship through the AICPA (American Institute of Certified Public Accountants) and found that it created no issues in relation to the financial audit. Mr. Dunivant asked for any questions from the Committee.

Mr. Spencer discussed past use of title and settlement services, and title insurance when the City acquires property. He noted that these services give the City another tool when dealing with property transactions. Mr. Spencer confirmed that the City had used a prior vendor who has gotten out of the business.

Mr. Cobb asked if there were any questions from the Committee. There were none.

Mr. Cobb recognized Amelia Merchant, Director of Finance, for comments. Ms. Merchant referred the Committee to a handout provided at the beginning of the meeting and asked Mary Talley, Accounting Supervisor, to brief the Committee.

The handout outlined the findings from the prior year's audit, the action plans, and progress made on each:

- Capital Assets and Debt – As mentioned previously, Finance is working with Debt Book to account for leases and debt. Ms. Talley is working on capital assets. Finance staff are attending VGFOA (Virginia Government Finance Officers Association) courses and webinars as much as possible. They are cross training and staying on top of monthly report review, while working with departments to clean things up.
- Economic Development (ARPA Grants) – Staff have modified the review process and requirements for disbursements. The application for funds requires a Memorandum of Understandings (MOU) and a more thorough review.
- City Clerk's Office – All disclosure statements have been filed.
- Public Works and Transportation (Time Cards) – New time reporting software is in place. Ms. Talley referred the Committee to the progress comments on the spreadsheet for additional information.
- Social Services – John Beason is working more closely with the Treasurer's Office to get reconciliations completed timely. They are also working with Finance to make sure everything on the general ledger is reconciled.
- Civic Center – Ms. Talley stated that regarding segregation of duties, there are several things the Civic Center has done to make sure there is more review and signoff. Because they are small and cannot segregate duties as fully as the City might like to see, they have put other mitigating controls in place.

Ms. Talley commented that Finance has also created an oversight team including the City Manager, Director of Finance, Deputy City Manager, Assistant City Manager, and Manager of Accounting to meet monthly to discuss training and action plans. They have setup mentoring arrangements with the Deputy City Manager and Assistant City Manager, which has helped with addressing questions. Ms. Talley stated the Director of Finance is looking at different development opportunities. If the City has to contract something externally, it will be reviewed by the oversight team with City Manager approval.

Ms. Talley stated Accounting will continue to monitor FY 21 action plans monthly to ensure progress continues and will report status to the oversight team. The Deputy City Manager and

Assistant City Manager will assist the Director of Finance in working with internal and external auditors to stay on target. The City Manager, Assistant City Manager, Brown Edwards, and Municipal Auditor will prepare audit communications so everyone gets same information. The information will be shared with the Audit Committee. There will be enhanced reporting to Council and Finance will continue to provide financial statements to Council through the City Manager's weekly updates. Ms. Talley noted that a project to update or replace the current accounting system is ongoing and should be fully funded in 2024. Accounting may work with a third party to assess Accounting's systems, structure and resources, separately from the external and internal auditors. Assessment results would be delivered to the City Manager.

Mr. Cobb thanked Ms. Talley for the briefing and asked the Committee if they had any questions or comments. Mr. Bestpitch commented that the plan sounds good and that the City should be on track for a smooth audit.

Mr. Cobb asked Mr. Harmon to discuss the audit communication plan. Mr. Harmon discussed what had been done to date, noting that Dawn Mullins, Assistant Municipal Auditor, will be coordinating the audit this year. There was a planning meeting on April 19 that included personnel from Finance, Pension, Social Services, the Civic Center, GRTC and RCPS. On April 20, Ms. Mullins met with GRTC and Brown Edwards to talk specifically about GRTC's schedule for audit work. Mr. Harmon noted that the GRTC audit is expected to be completed much earlier this year.

Mr. Harmon stated that he, Mr. Cobb, and the City Manager had a preliminary meeting to talk about communication issues in the prior year and how to improve communication. A second meeting was held with a larger group that included the Director of Finance, Assistant City Manager for Community Development, and Assistant Municipal Auditor and Brown Edwards to agree on the details for the communication plan. Municipal Auditing will organize status meetings around key deadlines, identify any reasons for delays and any impact on other deadlines. The first update will be in mid-July when preliminary work is mostly complete.

Mr. Harmon reminded the Committee that the APA's deadline for filing the audit is December 15. The plan is to complete the first draft of the annual report before Thanksgiving. The Audit Committee meets on December 19 at 1:00 pm.

Mr. Cobb agreed the Committee wants to have a July and September update, then an update every two (2) weeks from Municipal Auditing. He hopes this will consolidate much of the information. Mr. Cobb asked the other Committee members if the schedule looked okay to them. They both responded that it did and it seems doable. Mr. Cobb thanked everyone for the work on this effort, and stated he feels good about where we are.

The plan was received and filed.

#### **4. Sheriff Turnover Review:**

Mr. Harmon stated this was a request from the outgoing Sheriff to do a turnover as he was leaving

office. Ms. Mullins led this audit, and both the former and current Sheriff have reviewed the final report and were given an opportunity to comment. Everyone is satisfied and agrees with the report, which outlines in detail what was performed and the results. Mr. Harmon stated he would be happy to answer questions.

Mr. Cobb commented he didn't notice any significant issues, to which Mr. Harmon agreed and stated in general everything was in very good shape. Ms. White-Boyd commented this was a good report and she was very impressed.

The report was received and filed.

## **5. Risk Management Investigation:**

Mr. Harmon noted the concern about a backlog of work in Risk Management came through the hotline. Dorothy Hoskins led this investigation. Due to the delay in the appointment of the new Risk Manager, a staff member temporarily filled in. During this interim period there was some disruption in risk management operations. The new permanent Risk Manager started in November and the backlog was substantially cleared prior to the audit.

During the investigation, Auditing noticed an issue with underinsured property, specifically with Fire Station #7. The new Risk Manager immediately began reviewing all City properties and identified one additional underinsured property – Wells Fargo Tower. Risk Management is continuing to review all property to ensure everything is properly valued and listed. Mr. Harmon commented that as a result of the investigation, internal communication between City Departments and Risk Management about changes in the values of City properties has improved.

Ms. White-Boyd asked how they would handle renovations. Mr. Harmon responded that City Engineering will be communicating more regularly with Risk Management about renovations and additions.

Mr. Cobb asked if the insurance has been updated on the underinsured properties. Mr. Harmon responded that the information on Fire Station # 7 has been updated, but he was unsure about the Wells Fargo Tower. Ms. Hoskins responded that Risk Management has a preliminary valuation of the Wells Fargo Tower, but is waiting on a final value to update the insurance.

Mr. Bestpitch asked if this was the Wells Fargo garage. Mr. Harmon responded that it was the garage and the floor beneath the garage.

Hearing no further comments or questions, the report was received and filed.

## **6. PCI Project Update:**

Mr. Harmon began by briefly reviewing the history of the tax and treasury area going back to the early 2000s. Discussions about modernizing systems began at this time and lead to the Manatron

project in 2008. The City was the second Virginia locality to choose Manatron and is today one of only two Virginia localities using the system. In contrast, when the City contracted with PCI in 2018 its system was being used by more than 17 Virginia localities. However, since 2018 PCI has lost many of its original founders and staff, and has been absorbed by another vendor. In many ways it is as if the City is working with a new company and new implementation process.

Mr. Harmon noted that it was 2021 when PCI began dedicating the necessary resources to implement the system. The team made every effort to go live in December 2021, but could not satisfactorily resolve issues with real estate tax billing. The City had hoped to continue working on real estate in January 2022, but PCI diverted its resources to other clients in early January. PCI began assigning more resources to the City's project in March 2022. Real estate was further delayed as the City team debated how property should be assessed according to code and how PCI should interact with the assessment software (Proval). A tremendous number of staff hours have been used in the effort to resolve these issues.

PCI has continued to dedicate its resources to the City's project with a goal of having the system live by July 20. However, as PCI delivers system fixes that allow the City to test further into the system, new issues are being identified. This makes it difficult to confidently project a true go live date.

Government Brands recently assigned a new project manager to the City. This project manager is new to PCI and manages PCI's project management group. PCI project managers are now required to be certified Project Management Professionals (PMPs). Government Brands has also changed PCI's development process to an agile framework. Developers work in 2-week sprints with a goal of completing a set number of items during the sprint.

Mr. Harmon noted that these changes appear to be helping and that the vendor's performance is improving. However, the City is not yet confident that PCI can deliver all critical functionality by the July 1 lockdown date or that PCI can deliver on its promise to prioritize the City for 60-90 days after go live. The conversation about critical functionality and post go live items has been ongoing. If PCI delivers all the critical fixes by July 1, City staff will attempt to complete user acceptance testing in time for a July 20 go live. However, if any critical functionality is not working in test, PCI and the City will have to agree on another go live date.

Mr. Harmon stated that Tasha Burkett will be meeting with the Commissioner of the Revenue, Treasurer, and PCI to review and prioritize the to-do list. Mr. Harmon then asked Ms. Burkett if there was anything she would like to add. She responded that the major items had been covered, but reiterated the changes in management at PCI have been significant and most helpful. While the new Project Manager is talented, she has needed time to develop an understanding of the open items and City's processes.

Mr. Harmon noted that the City received several bills from PCI late in 2021 that suggested project milestones had been completed when they were not. This indicated to him that the information being communicated to corporate was not consistent with what was actually happening here. Mr.

Harmon thinks this handicapped the new PCI team as they believed the project was nearer completion than it was. He noted that the City has not paid these invoices.

Mr. Bestpitch asked if the withheld payments are a significant financial incentive for PCI. Mr. Harmon responded that hundreds of thousands of dollars are being withheld.

Mr. Cobb asked about the testing process and the “bar” for feeling confident that we can go forward. Mr. Harmon responded that there are certain things that have to pass before go live, such as the ability to produce a bill. Discussions about what can wait until after go live are ongoing. We can expect new issues to surface after go live, as the system is used for day-to-day business. The PCI contract specifies that the City will remain a priority for 60 days after go live.

Mr. Cobb asked how long the contract extends after go live. Mr. Harmon responded that the contract continues after system acceptance, as a maintenance and support agreement that is paid annually. Mr. Harmon discussed the long term viability of PCI, noting that a number of Virginia localities are clients and that alternatives are limited. Government Brands appears to be moving PCI to a more sustainable development model. The company says they have developed a cloud based version that will be in production next year.

Mr. Bestpitch asked if there was any sense of what other Virginia localities are experiencing. Mr. Harmon responded that the Treasurer has said several of her peers in the State are unhappy with PCI at present. He noted how having a large client base in Virginia is helpful. Mr. Bestpitch suggested that other localities may have figured things out that might work here. Mr. Harmon agreed and noted that large user groups can be beneficial. Mr. Bestpitch stated that it is encouraging that PCI / Government Brands has acknowledged their shortfalls.

Mr. Cobb stated he is glad to hear Ms. Burkett has more confidence in the project. Ms. Burkett confirmed that she is more confident now that the vendor is more engaged and understands the true status of the project. Mr. Bestpitch and Mr. Cobb thanked Ms. Burkett for her work.

## **7. Other Business:**

Mr. Harmon stated that the next Audit Committee meeting will be Wednesday, September 7, 2022 at 4:00 p.m. He noted that City Council will meet on Tuesday, September 6, due to the Labor Day holiday. The Committee agreed the next meeting will be held in the Emergency Operations Center. The Committee’s December meeting will be on the 19<sup>th</sup> at 1:00 p.m.

## **8. Adjournment:**

Mr. Cobb thanked everyone for attending and adjourned the meeting at 4:54 p.m.



## AUDIT COMMITTEE ANNUAL REPORT For Fiscal Year Ending June 30, 2022

September 7, 2022

The Audit Committee is one of six permanent committees of the City Council. It serves in an advisory role to Council and appointed officers on matters related to the City's financial records and activities affecting the financial records. Meetings are typically held quarterly and at the request of any member.

<b>Committee Member</b>	<b>9/01/21</b>	<b>12/20/21</b>	<b>1/27/22</b>	<b>6/01/22</b>
Joe Cobb, Chair	√	√	√	√
Trish White-Boyd, Vice-Chair	√	√	√	√
Bill Bestpitch, Member	√	√	√	√
Mayor Lea, Ex-Officio		√	√	

A special meeting was called in January to receive the external auditor's report on the financial statements for the year ended June 30, 2021. The quarterly meeting for March was canceled.

The Audit Committee oversees the City and Pension Plan annual financial statement audits, as well as the Municipal Auditing Department's budget and work plan. It also reviews all audit reports and updates, which for the year ending June 30, 2022, included:

- City Council Expenditures – FY21
- Police Cash and Fees – FY21
- Annual Simplified Comparative 2021
- Clerk of the Circuit Court – 3/31/21
- Annual Financial Report – FY21
- Foster Child SSA and Child Support
- APA Audit of Collections – FY21
- Sheriff Turnover Review
- Risk Management Investigation
- Tax & Treasury System Implementation

Municipal Auditing's Annual Report for the year ending June 30, 2022, is attached. Meeting minutes, audit reports and updates are available online through the City's website at [www.roanokeva.gov/auditing](http://www.roanokeva.gov/auditing).

# ANNUAL REPORT FY22

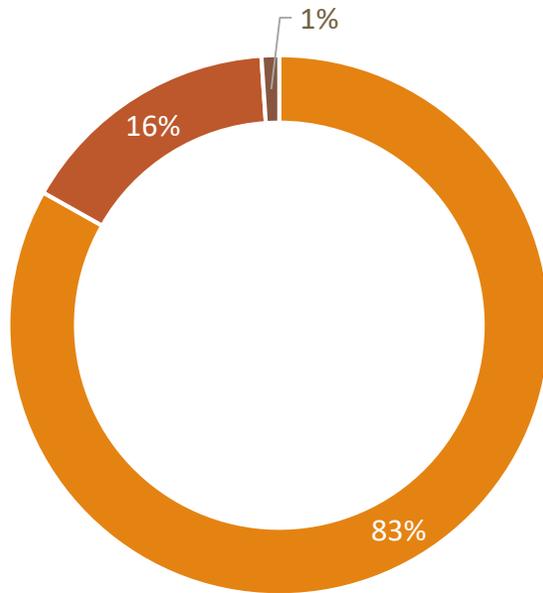
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MUNICIPAL AUDITING DEPARTMENT

# ACTIVITY

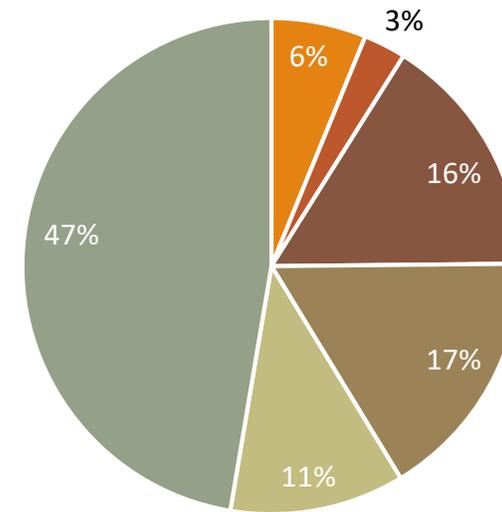
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BY ENTITY



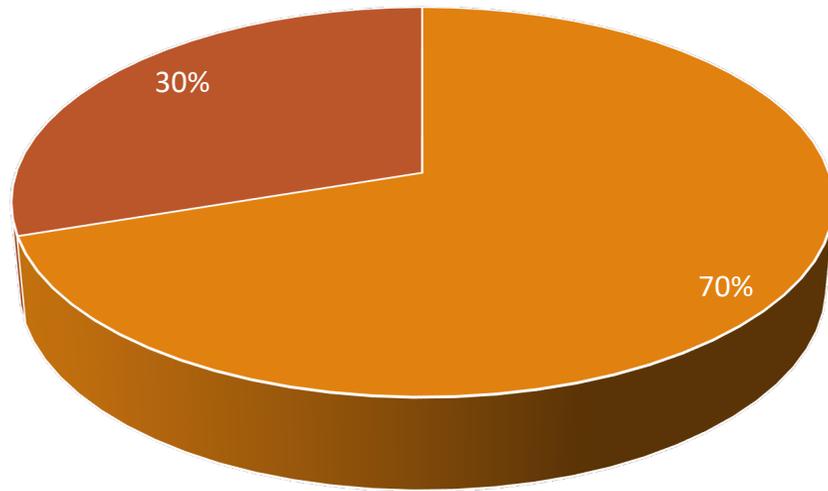
■ CITY ■ RCPS ■ GRTC

BY SERVICE



■ Investigation ■ Follow Up ■ Advisory  
■ Financial ■ Performance ■ PCI Implementation

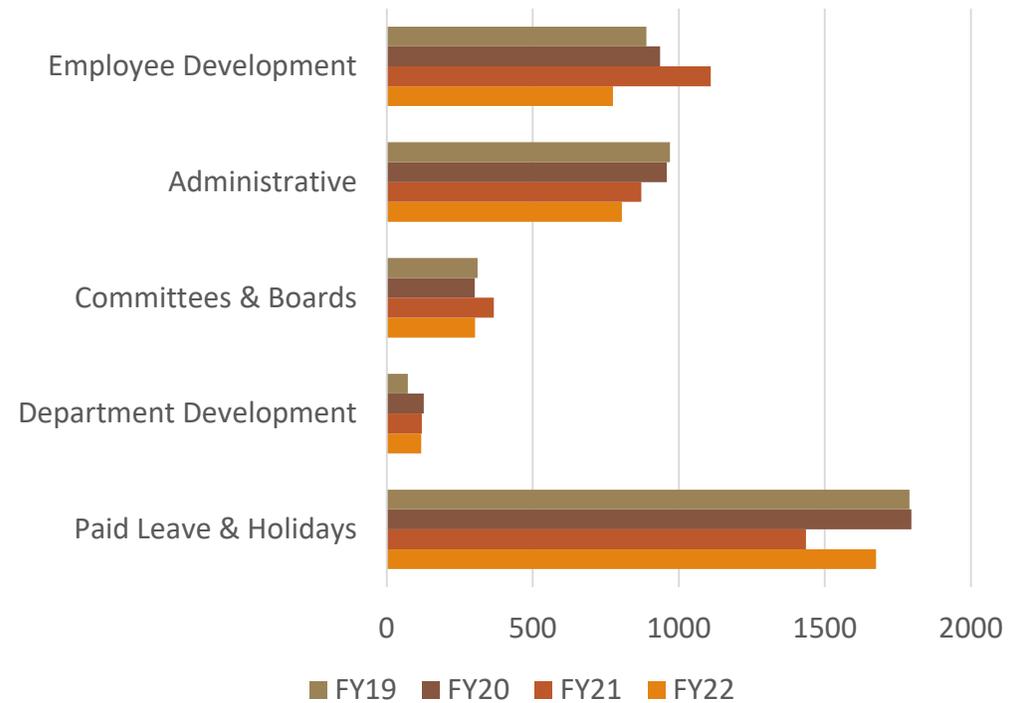
# DIRECT AND INDIRECT TIME



Benchmark = 68% Direct Time

■ Direct ■ Indirect

## Indirect Hours



# DEPARTMENT PERFORMANCE MEASURES

Offer	Measure	Target	Actual
External Audit	Auditor’s Opinions Issued by State Deadline	12/15/21	2/11/22
Internal Audits	Assignments Completed per Full Time Equivalent *	8.00	6.95
Internal Audits	% of Audit Findings Successfully Resolved	80%	55.6%
Hotline	% of Hotline Reports Investigated and Resolved in 30 Days	100%	62.5%

\* The PCI project was excluded from the assignment count due to it being a multi-year project that consumes an extraordinary number of staff hours (> 3,500 in FY22). The # of full time equivalents was adjusted based on proportion of staff hours on the PCI project and for staff vacancies.

# PERFORMANCE AUDITS

Title	Direct Hours	Report Date	Objectives
School Vehicle Services	529	7/28/21	<p><b>Do vehicles receive maintenance services at recommended intervals?</b> No. Based on spot inspections, auditors noted issues with fluids, batteries, tire inflation, and state inspections. A sample of ten (10) vehicles found that four (4) had not received all recommended maintenance. Data analysis indicated that 61% of monthly vehicle inspection reports were not completed by vehicle operators.</p> <p><b>Do departments monitor vehicle utilization?</b> No. The school division had not established utilization benchmarks. Based on federal utilization guidelines, the majority of division vehicles were under-utilized.</p> <p><b>Are controls adequate to ensure fuel paid for by the division is used for approved purposes and correctly billed?</b> Yes. Fuel pumps at the public works service center were accurately reporting fuel dispensed and monthly billings were materially correct. Data analysis did not identify any unusual patterns or transactions.</p> <p><b>Is the division appropriately managing vehicle liability through employee training and monitoring?</b> No. The division was not verifying that employees had valid drivers licenses or reviewing driver history. A vehicle use policy was not provided to employees.</p>

# PERFORMANCE AUDITS (CONTINUED)

Title	Direct Hours	Report Date	Objectives
School Accounts Payable	390	8/20/21	<p><b>Are system access rights appropriately assigned to ensure users can only perform the financial functions compatible with their positions and as authorized by management?</b> Yes. The Keystone system has controls that help prevent data entry errors based on format and relative logic. The system has budgetary controls at the line item level. The division has designed user roles and groups appropriately, limiting system access to the minimum necessary for employees to effectively perform their responsibilities. Testing indicated data in the financial module was complete and accurate.</p> <p><b>Are all payments timely, accurate and only issued for legitimate, authorized purchases of goods and services?</b> Yes. Testing confirmed that payments are timely and accurate. Data validation controls, appropriate separation of duties, and multiple levels of approval help ensure purchases and payments are accurate, legitimate and authorized.</p>
Gifted Education	392	3/03/22	<p><b>Is the division's annual report on its gifted programs correct and in accordance with the Virginia Department of Education's (VDOE) regulations?</b> Yes. All data reported to the VDOE was supported by underlying data in the student record system (Synergy).</p> <p><b>Are universal test scores accurately recorded on each Student Identification Profile Sheet?</b> Yes. This data helps identify potential giftedness. Profiles were accurately completed for 28 of 29 second grade students meeting the established criteria during school year 2021.</p>

# PERFORMANCE AUDITS (CONTINUED)

Title	Direct Hours	Report Date	Objectives
Gifted Education (continued)	392	3/03/22	<p><b>Are all 5<sup>th</sup> grade students properly evaluated for advanced programs and offered appropriate middle school courses?</b> Yes. The division has a consistently applied process in place to evaluate all 5<sup>th</sup> grade students for middle school courses. On average, 40% of 5<sup>th</sup> graders are recommended for one or more middle school honors courses each year.</p> <p><b>Do all teachers in the Office of Gifted Education and Advance Academic Programs have an endorsement in gifted education and at least 3 years of successful classroom experience as required by the job description?</b> Yes. All teachers have the required experience and are gifted-endorsed or substantially within the two year grace period for obtaining the endorsement.</p>

# FINANCIAL RELATED & ADVISORY ASSIGNMENTS

FINANCIAL	
- Clerk of Circuit Court	- City Council Expenditures
- Police Cash & Fees	- Annual Simplified Comparative
- External Audit Coordination	- Sheriff Turnover Review

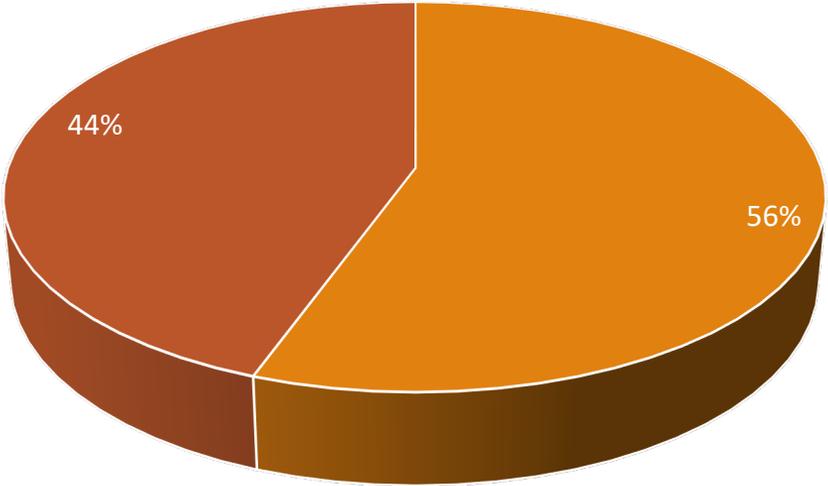
ADVISORY	
- LEAN Committee	- Revenue Committee
- Information Technology Committee	- Budget Ordinance Training
- DSS APRA Grants	- EDA ARPA Grants
- ACH Change Controls	- Financial Disclosure Statements
- Clerk workflow & records retention	- Commonwealth Attorney
- Council Travel Policy	- Echeck Validation Rules
- Council Budget Transfers	- Records Retention
- Personal Property Tax	- Transportation Permit Billing
- Trust Tax Write Off	- Alarm Registration
- Grant Accounting	

# PCI IMPLEMENTATION

Municipal Auditing Role:	Project Management
Departments Involved:	<ul style="list-style-type: none"> <li>▪ Treasurer</li> <li>▪ Commissioner of the Revenue</li> <li>▪ Technology</li> <li>▪ Planning Building &amp; Development</li> </ul> <ul style="list-style-type: none"> <li>▪ Finance</li> <li>▪ Real Estate Valuation</li> <li>▪ City Attorney</li> </ul>
Legacy Systems Being Replaced:	<ul style="list-style-type: none"> <li>▪ Aumentum [Real Estate &amp; Cashiering]</li> <li>▪ Personal Property</li> <li>▪ Delinquent Collections</li> <li>▪ Short-term Rental</li> </ul> <ul style="list-style-type: none"> <li>▪ Business Tax</li> <li>▪ Business License</li> <li>▪ State Tax</li> <li>▪ Advantage [Nuisance Abatements]</li> </ul>
Ongoing Project Tasks:	<ul style="list-style-type: none"> <li>▪ Configuration</li> <li>▪ Conversions</li> <li>▪ Interfaces</li> <li>▪ Reporting</li> </ul> <ul style="list-style-type: none"> <li>▪ Testing</li> <li>▪ Online Portal</li> <li>▪ Training</li> <li>▪ Process Development</li> </ul>
Tentative Go-live Date:	October 24, 2022

# FOLLOW UP AUDITS

AREA	ACTIONS	RESOLVED	REVISIT
School Purchasing	3	3	0
School Food Services	6	2	4
Total:	9	5	4



■ Resolved ■ Revisit

# INVESTIGATIONS

File #	Concern	Conclusion
22-301	Concern that funds received by Human Services for the care of an infant in foster care were not properly accounted for and that there were unused funds that should have been transferred to the parent when custody was awarded to the parent. We determined that expenditures had been appropriate, were accounted for correctly, and that no funds remained at the point custody transferred. An economic impact payment received for the child after custody transferred was not reviewed timely and was therefore pending payout to the parent at the time we investigated. These funds were paid out once identified. (Full Report to Audit Committee December 20, 2021)	Unsubstantiated
22-302	Allegation that GRTC had not deposited 457 and Health Savings Account contributions to employees' accounts on a timely basis. We verified that June and July withholdings had not been deposited to employee accounts. Management outsourced payroll processing to a third party in May and cited issues with reports from the third party's system as the cause for delaying deposits. Deposits were made and employees made whole by September 14, 2021.	Substantiated
22-303	Allegation that certain employees were observed with their masks off in violation of City policy. This allegation was referred to the Human Resources Department.	Referred

# INVESTIGATIONS (CONTINUED)

File #	Concern	Conclusion
22-304	<p>Concern that management was willing to pay a younger person with far less experience substantially more than the incumbent who had been with the City for over 20 years and who had always been an excellent performer. The reporter alleged that five recent hires in grades 13 thru 16 also started at significantly higher salaries than incumbents. Personnel Operating Procedure (POP) 16 specifies that new hire salaries should be within 15% of the grade minimum. Exceptions may be approved by the applicable elected or appointed officer.</p> <p>Our analysis of the new hires cited by the reporter found salaries were between 11% and 24% higher than the incumbents (average 16.4% higher). New hires started between 67% to 75% above the minimum of the pay range. The incumbents averaged 47% of the range with one as low as 25%. An analysis of pay based on years of service showed that longer tenured employees are paid higher salaries in general. The City's Human Resources department was contracting for a compensation study at the time of this report. The study should provide a comprehensive analysis of pay across all positions. We closed the investigation in anticipation of the study addressing this reporter's concerns.</p>	Referred
22-305	<p>Alleged that the interview process for a key position had not been fair and risked placing an inexperienced and unqualified candidate in the position. The City Attorney's Office and City Management were already aware of the situation and had taken steps to address it.</p>	Substantiated

# INVESTIGATIONS (CONTINUED)

File #	Concern	Conclusion
22-306	<p>Concern that a City employee was being abusive on social media and had identified themselves as an employee of the City of Roanoke, which made their postings subject to City Administrative Procedure 5.8 “Electronic Communications and Internet Policy.”</p> <p>We reviewed the employee’s social media account and noted that they did not list the City of Roanoke as their employer or include any information that linked them to the City. Their comments on the issue noted were limited, did not involve profanity or other words of an exclamatory nature.</p>	Unsubstantiated
22-307	<p>Concern that management allowed a coworker to continue working while charges for assault and battery were pending trial, and that coworkers were not made aware of the charges.</p> <p>Personnel Operating Procedure (POP) 22 authorizes management to suspend an employee charged with criminal acts incompatible with their position; it does not address coworker notification.</p> <p>We determined that management was unaware of the criminal charges against the employee. Management suspended the employee one day after learning about the charges. POP 22 was revised to require employees charged with a crime punishable by imprisonment to provide notice to management within 24 hours of being charged.</p>	Unsubstantiated

# INVESTIGATIONS (CONTINUED)

File #	Concern	Conclusion
22-308	Concern that a supervisor had worked on setting up an outdoor event a week after having been diagnosed with COVID, in violation of city policy. The reporter indicated that the concern was reported to management. We requested more information about who was notified and what actions were taken, but received no response. Given the nature of the concern and limited information, this was closed without further action.	Unsubstantiated
22-309	Concern that a backlog of work had developed during the transition to a new Risk Manager; that the direction being given to the new Risk Manager was hampering her ability to prioritize the backlog; and that there was a danger that major risks would not be addressed timely. We determined that a backlog had developed initially, prior to the new Risk Manager starting the position. The backlog had been resolved by the time of our investigation. During the investigation, we noted one property was underinsured, which prompted a review of all properties. (Full report to Audit Committee June 1, 2022)	Substantiated
22-310	Concern about salary compression created when \$15 minimum wage was implemented. Alleged that employees in positions requiring more technical skills, knowledge and training, as well as those with longer tenure, were not being treated fairly. Compensation study should help address this concern.	Referred
22-311	Report of abuse of elderly person. Referred to Human Services.	Referred

# INVESTIGATIONS (CONTINUED)

File #	Concern	Conclusion
22-312	<p>Concern that nepotism was involved in reclassification and substantial pay raise for a specific position, while pay and classification issues contributing to low morale and high turnover city-wide were being ignored. Our preliminary research confirmed the reclassification and pay increase (&gt;30%). However, the reclassification request was initiated and approved in accordance with policy. There was no evidence that the employee's relation was involved in initiating or otherwise advocating for the change.</p>	Unsubstantiated
22-313	<p>Concern about appropriate expenditure of public funds. Final report under development.</p>	Pending
22-314	<p>Allegation that there is waste and abuse, incompetency, discrimination, favoritism, recklessness of duties, failure to provide feedback, and other examples of poor leadership occurring in the offices of "appointed officials." We requested specific examples of acts the reporter was concerned about and the specific office or offices in which these acts were occurring. The reporter did not respond.</p> <p>Given that the Municipal Auditor is an appointed office, this hotline report was provided to the Chair of the Audit Committee (Joe Cobb) for review and final disposition. Based on the non-specificity of the allegations and lack of response to a request for more actionable information, Mr. Cobb concluded that no further action could be taken at this time.</p>	Unsubstantiated

# INVESTIGATIONS (CONTINUED)

File #	Concern	Conclusion
22-315	Concern that an employee receiving an annual salary supplement for using their personal vehicle for work was inappropriately claiming mileage for out of town business trips. Administrative Procedure 6.4 explicitly states that employees receiving a salary supplement for personal vehicles are allowed to claim mileage for out of town travel. We reviewed all mileage claims submitted by the employee in question from July 1, 2019 through May 3, 2022. The requests were for out of town travel and were in accordance with city policies.	Unsubstantiated
22-316	Allegation that a city resident has two vehicles garaged in the city that are not properly licensed by the state and are not being taxed as personal property. This was referred to the Commissioner of the Revenue's Office.	Referred

# AUDITING STAFF (6/30/22)

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## Cari Spichek - Senior Auditor

- BS – Accounting
- Certified Internal Auditor (CIA)
- Department Tenure – 6.25 Years

## Brian Pendleton – Senior Auditor

- MS – Accounting
- Certified Public Accountant (CPA)
- Department Tenure – 3.50 Years (Resigned 11/05/21)

## Dorothy Hoskins – Senior Auditor

- BA – Finance
- Certified Fraud Examiner (CFE)
- Department Tenure – 1.67 Years

## Tasha Burkett – Information Systems Auditor

- BA – Accounting
- Certified Information Systems Auditor (CISA)
- Department Tenure – 7.70 Years

## Dawn Mullins – Assistant Municipal Auditor

- BBA – Accounting
- Certified Public Accountant (CPA)
- Department Tenure – 15.25 Years

## Drew Harmon – Municipal Auditor

- BS – Accounting
- Certified Internal Auditor (CIA), Certified Public Accountant (CPA)
- Department Tenure – 24.50 Years

# Municipal Auditing Department Contact Information:

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# MUNICIPAL AUDITING REPORT CITY OF ROANOKE



## Clerk of the Circuit Court July 19, 2022

Report Number: 23-001  
Audit Plan Number: 22-014

*Municipal Auditing Department  
Chartered 1974*

[www.roanokeva.gov/auditing](http://www.roanokeva.gov/auditing)

Phone 540.853.5235

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## AUDIT OBJECTIVES & SCOPE

### **Audit Objectives:**

1. To ensure manual activity was properly documented and recorded in the automated financial system.

**Yes** – We concluded that manual activity was properly documented and recorded.

2. To ensure the Clerk was properly handling and accounting for monies held pursuant to Section 8.01-600 of the Code of Virginia, which relates to trust funds and monies under control of the court.

**Yes** – We concluded that trust funds/monies under the control of the court were properly handled and accounted for.

3. To ensure the Clerk had appropriate controls and procedures for recording, accounting for, and expending non-reverting funds per Code of Virginia, sections 17.1-295, 17.1-276, 17.1-258.3, 17.1-258.3:2.

**Yes** – We concluded that the Clerk had appropriate controls and procedures for recording, accounting for, and expending non-reverting funds.

4. To ensure the Clerk had assessed, receipted, and recorded taxes and fees for deeds and contracts, wills and administrations, and civil matters in accordance with the Code of Virginia, Supreme Court of Virginia Fee Schedule, and applicable local ordinances.

**Yes** – We concluded that the Clerk had assessed, receipted, and recorded taxes and fees for deeds and contracts, wills and administrations, and civil matters appropriately in accordance with Code of Virginia, Supreme Court of Virginia Fee Schedule, and applicable local ordinances.

### **Audit Scope:**

Manual receipts, trusts, non-reverting funds, deeds and contracts, wills and administrations, and civil matters performed by the Clerk of Circuit Court for the period of April 1, 2021 through March 31, 2022, as per the objectives and audit program outlined by the Virginia Auditor of Public Accounts [APA].

## **BACKGROUND**

The Circuit Court of the City of Roanoke is the City's Court of General Jurisdiction, as established by the General Assembly of Virginia. The responsibilities of the Clerk of the Circuit Court include serving as recorder of deeds, probating of wills and qualifications of personal administrators of estates, handling of trust funds established by the court, issuing marriage licenses, collecting civil fees, creating court records, and certifying and archiving all records of the Circuit Court and other records as provided by law. Fees and monies administered by the Clerk of the Circuit Court are subject to audit annually by the Commonwealth's Auditor of Public Accounts. The Municipal Auditing Department completes a portion of the APA's annual audit program in return for a waiver of audit fees. Our work is submitted to the APA for review and incorporation into their final report.

The following audit steps were completed by Municipal Auditing as assigned by the APA and in accordance with the APA's instructions:

- Manual Receipts
- Trust Funds / Monies under Control of the Court
- Non-Reverting Funds
- Deeds and Land Records
- Wills and Administrations
- Civil Casework

## METHODOLOGY AND RESULTS

In accordance with the audit program provided by the APA, we performed the following steps:

### Manual Receipts

- Agreed the continuity of manual receipts to prior year work papers, documented both receipts used during the audit period and all unused receipts on hand. ***No manual receipts were utilized during the audit period.***

### Trust Funds

- Verified the 2021 Trust Fund Annual Report was filed with the court by the October 1<sup>st</sup> deadline, was publicly accessible, contained no confidential information, and conformed to Code of Virginia Section 8.01-600 (G) requirements. ***No exceptions were noted.***
- Reconciled the ending balance reported in the Trust Fund Annual Report to the Court's general ledger balance and bank statement ending balance as of June 30, 2020 and verified that individual accounts recorded appropriate interest postings. ***No exceptions were noted***
- Haphazardly selected five [5] new court ordered trust funds, for which we verified receipts contained all pertinent information and agreed to court orders, accounts created prior to June 30, 2021 were traceable to the Trust Fund Annual Report, court orders were publically accessible, appropriate fees were deducted, funds were invested within 60 days of receipt, accounts were reported as a public funds, distribution dates were appropriate and the Clerk was justified in holding the funds under Code of Virginia Section 8.01-600. ***No exceptions were noted.***
- Haphazardly selected five [5] trust fund disbursements, for which we verified disbursements were supported by appropriate documentation or court orders, were posted to the proper trust fund accounts, appropriate fees were deducted, and funds were paid out within 60 days of the court order or other documentation as required under Code of Virginia section 8.01-600(F). ***No exceptions were noted.***
- Randomly selected five [5] individual trust accounts and reconciled March 31, 2022, ending balances per the Court's general ledger to ending balances per the bank statement and verified accounts were reported as public funds. ***No exceptions were noted.***

### **Non-Reverting Funds**

- Haphazardly selected 10 entries from non-reverting accounts, which were agreed to supporting documentation and reviewed for appropriateness in accordance with applicable Code of Virginia sections. ***No exceptions were noted.***

### **Deeds and Land Records**

- Selected five [5] deeds based on the largest amounts of state taxes paid, for which we recalculated taxes and fees and verified they were properly assessed and collected in accordance with the Code of Virginia, Supreme Court of Virginia Fee Schedule, and applicable local ordinances. ***No exceptions were noted.***

### **Wills and Administrations**

- Selected 15 wills based on the largest amounts of state taxes paid, for which we recalculated taxes and fees and verified they were properly assessed and collected in accordance with the Code of Virginia, Supreme Court of Virginia Fee Schedule, and applicable local ordinances. ***No material exceptions were noted.***

### **Civil Casework**

- Randomly selected 10 civil cases, for which we recalculated taxes and fees and verified they were properly assessed, receipted timely and collected in accordance with the Code of Virginia, Supreme Court of Virginia Fee Schedule, and applicable local ordinances. ***No exceptions were noted.***

**CONCLUSION**

We conclude that the Office of the Clerk of the Circuit Court materially complied with laws and regulations tested related to manual receipts, trust funds, non-reverting funds, deeds and land records, wills and administrations and civil casework. We have submitted our work to the APA for review and incorporation into the results of the overall audit.

We would like to thank the management and staff of the Office of the Clerk of the Circuit Court for their cooperation and assistance during the course of this audit.



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Cari Spichek, CIA  
Senior Auditor



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Dawn Hope Mullins, CPA  
Assistant Municipal Auditor