



PRINCE WILLIAM COUNTY

Prince William County, Virginia Internal Audit Report – Department of Parks, Recreation & Tourism Operations

May 15, 2020



TABLE OF CONTENTS

Transmittal Letter	1
Executive Summary	2
Background	4
Objectives and Approach	18
Observations Matrix	19

TRANSMITTAL LETTER



May 15, 2020

The Board Audit Committee of
Prince William County, Virginia
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Pursuant to the internal audit plan for calendar year ending (“CY”) 2019 for Prince William County, Virginia (“County” / “PWC”), approved by the Board of County Supervisors (“BOCS”), we hereby present the internal audit of the Department of Parks, Recreation, and Tourism (“DPRT”) Operations. We will be presenting this report to the Board Audit Committee of Prince William County at the next scheduled meeting on July 21, 2020.

Our report is organized into the following sections:

Executive Summary	This provides a high-level overview and summary of the observations noted in this internal audit, as well as the respective risk ratings.
Background	This provides an overview of the applicable processes as well as relevant background information.
Objectives and Approach	The objectives of this internal audit are expanded upon in this section, as well as the various phases of our approach.
Observations Matrix	This section gives a description of the observations noted during this internal audit and recommended actions, as well as Management’s response including the responsible party, and estimated completion date.

We would like to thank the staff and all those involved in assisting our firm with this internal audit.

Respectfully Submitted,

RSM US LLP

Internal Audit



EXECUTIVE SUMMARY

Background

The mission of Prince William County (“PWC”) Department of Parks, Recreation & Tourism (“DPRT”) is to create recreational and cultural experiences for a more vibrant community. DPRT oversees various County activities including: recreational sports, swimming, children’s programs, fitness, dance, nature/outdoors, preschool, historic preservation, among others. The County manages ~80 parks and 10 historic districts, over 5,000 acres of parkland and more than 50 miles of recreational trails, greenways and water trails.

The Prince William Park Authority was established in 1977; during March 2012 the Park Authority Board and the BOCS took action to merge the Park Authority into the Prince William County Government and thus created a new Department of Parks and Recreation. Effective July 1, 2013, the Department of Parks and Recreation became the governmental entity responsible for the delivery of park and recreational services in the County. In October 2017, the Convention & Visitors Bureau merged with the Department of Parks and Recreation to become the Department of Parks, Recreation & Tourism.

In fiscal year (“FY”) 2019, DPRT offered 469 programs and activities, 454 of which were revenue generating. Since FY2017, these revenue generating programs on average have supported ~40% of annual operational expenditures while the remaining ~60% of funding is provided from the general fund.

The adopted FY2020 budget for DPRT is \$40,702,641. The budget includes \$14,878,931 of anticipated revenue for funding from program and activities, and \$24,428,556 from the general fund.

Fieldwork was performed October through February 2020.

Overall Summary / Highlights

The observations identified during our assessment are detailed within the pages that follow. We have assigned relative risk or value factors to each observation identified. Risk ratings are the evaluation of the severity of the concern and the potential impact on the operations of each item. There are many areas of risk to consider in determining the relative risk rating of an observation, including financial, operational, and/or compliance, as well as public perception or ‘brand’ risk.

We would like to thank all County team members who assisted us throughout this audit.

Objectives and Scope

The primary objective of this internal audit was to evaluate the effectiveness and adequacy of key processes and control functions for DPRT operations, and assess compliance with applicable County policies and procedures. Areas of focus included: fee generation, procurement, grant management, and budget management. Specific procedures included the following:

- Obtained an understanding of DPRT’s programs that generate revenue and involve fee calculation; process and controls related to DPRT’s budget process, specifically related to revenue generating programs; current grants DPRT receives and the processes to manage the related administration and reporting; and the procurement process DPRT utilizes to obtain goods and services from third parties;
- Performed testing on a sample of programs to validate the appropriate fees were charged to end users;
- Performed comparative analytics on DPRT fees, budgets, grants, and procurement activity to other local jurisdictions;
- Performed testing on a sample of DPRT procurements to validate alignment with County procurement requirements;
- Compared PWC DPRT procurement activity with other PWC departments;
- Performed testing on a sample of grants currently received by DPRT to validate compliance and identify opportunities to improve efficiencies among the decentralized grant administration process;
- Assessed adequacy of records and documentation to establish an audit trail and that policies and procedures are appropriately followed; and
- Provided recommendations for process improvements.

Where applicable, the testing period utilized was July 1, 2018 through June 30, 2019.

Summary of Observation Ratings

(See page 3 for risk rating definitions)

	High	Moderate	Low
DPRT Operations	-	-	3



EXECUTIVE SUMMARY – CONTINUED

Observations Summary

The following is a summary of the observations noted in the areas reviewed. Each detailed observation is included in the observation matrix section of the report. Improvement opportunities have been provided following the detailed observations section. Definitions of the rating scale are included below.

Summary of Observations	
Observation	Rating
1. Procurement Resources & Planning	Low
2. Grant Management Procedures	Low
3. Proactive DPRT Budget Planning	Low

Provided below is the observation risk rating definitions for the detailed observations.

Observation Risk Rating Definitions	
Rating	Explanation
Low	Observation presents a low risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of low importance to business success/achievement of goals.
Moderate	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success/achievement of goals. Action should be in the near term.
High	Observation presents a high risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of high importance to business success/achievement of goals. Action should be taken immediately.



BACKGROUND

Overview

The mission of the Prince William County (“PWC”) Department of Parks, Recreation & Tourism (“DPRT”) is to create recreational and cultural experiences for a more vibrant community. DPRT oversees various County activities including: recreational sports, swimming, children’s programs, fitness, dance, nature/outdoors, preschool, historic preservation, among others. The County manages ~80 parks and 10 historic districts, over 5,000 acres of parkland and more than 50 miles of recreational trails, greenways and water trails.

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DPRT is supported both by the County’s general fund and revenue generated from fees charged for various programs and activities offered across the County. In FY2019, DPRT offered 469 programs and activities, 454 of which were revenue generating. Since F 2017, these revenue generating programs on average have supported ~40% of annual operational expenditures while the remaining ~60% of funding is provided from the general fund.

The adopted FY2020 budget for DPRT is \$40,702,641. The budget includes \$14,878,931 of anticipated revenue for funding from program and activities, and \$24,428,556 from the general fund.

Fee Administration and Collection

Fee Administration

DPRT relies on the collection of fees to recover costs associated with the various programs and activities provided to the community. These fees vary based on the type of program or activity, and change with underlying costs (payroll, utilities, vendor costs, etc.). Generally, there are gradual fee increases for long-standing programs to support rising costs. Each year, a baseline fee schedule is created for each program category (rentals, fitness, children’s programs, swim, camps, etc.) and submitted to the BOCS for approval. The fee schedules include a “will not exceed” number, which identifies the maximum fee a participant will pay for the program. Actual fees can, and often are less than the “will not exceed” number.

When suggesting a new program or activity, DPRT staff and management identify an appropriate fee based on the cost recovery goals, similar programs offered by competitors, and program demand. Initial analysis based on these considerations is submitted by staff to their direct Supervisor who reviews and assesses the reasonableness of the program, the suggested fee, and the ability of DPRT to provide the necessary support.

The collection of recurring programs and newly launched programs encompasses the seasonal schedule of programs and activities and their associated fees. This collection is published each season in the *Leisure* magazine. This magazine is distributed to County residents and is also available in a web version, which includes all County provided fitness classes, swim lessons, camps, special activities, etc. as well as special discounts that may be available.



Winter 2020 Leisure Magazine



BACKGROUND - CONTINUED

Fee Administration and Collection – continued

Fee Administration – continued

DPRT strives to provide affordable prices to residents while recouping costs to lessen the need for general fund allocation. A snapshot of how the approved “do not exceed” limits have increased (or decreased) over the past four fiscal years for the major program and activity types is depicted below.

Fees Trend for Major Program/Activity Types (FY17 – FY20)	
Program/Activity Type	Average Year Over Year % Change
Sports Participation/Field Permits	3%
Aquatic Facilities Admissions	3%
Aquatic Rentals (Lanes, Pavilions, etc.)	5%
Swim Classes	8%
Batting Cages	0%
Boating Fees	5%
Children’s Programs	16%
Dance Instruction	-13%
Driving Range	11%
Facility Rentals (Pavilions)	2%
Historic Property Rentals	5%
Historic Property Admissions	5%
Farms Market	5%
Fitness Instruction	9%
Recreation Center Admissions	4%



BACKGROUND – CONTINUED

Fee Administration and Collection – continued

Fee Collection – continued

Further, the breakdown of fees collected by program type is detailed in the table below. This does not represent all DPRT revenue for FY2019 as shown on the previous page.

FY2019 Fee Collections for Major Program/Activity Type (Unaudited)												
Program/Activity	Camps	Aquatics Admissions	Sports Participation /Field Permits	Children's Programs	Fitness	Indoor Rentals	Boat Rentals/ Launch Fees	Pavilion Rentals	Batting Cage/Mini Golf/Driving Range	Waterparks	Swim Lessons	Farmer's Market Fees
Fees	\$1,450,827	\$1,773,255	\$670,309	\$483,144	\$1,576,692	\$120,035	\$85,867	\$77,445	\$62,235	\$2,150,483	\$172,721	\$27,240

Grant Management

In some cases, grants are pursued for programs, activities, and campaigns operated by DPRT. The process typically begins with DPRT staff identifying a grant opportunity. Once identified, DPRT management will review the award, program applicability, and level of effort to apply for the grant to determine if it is a worthwhile grant to pursue. If the benefit outweighs the cost, a BOCS agenda item must be drafted to request approval prior to applying for the grant. If approved, DPRT staff prepares a submission and await award results. If DPRT receives the award, certain requirements are likely included within the award letter for periodic monitoring and compliance. The individual who identified the grant opportunity is typically responsible for submitting the application and managing award requirements.

While many grants (federal, private, state, etc.) are available for County parks, recreation, & tourism departments, DPRT has strategically approached grants to only pursue one-time grants which do not increase operating costs. Over the past five (5) fiscal years (FY2015 – FY2019), DPRT has requested approval for sixteen (16) grants, all of which were awarded, resulting in funding of \$305,545. PWC grant activity over the past two (2) fiscal years as compared to other local jurisdictions is illustrated below.

Parks and Recreation Grant Funding			
Jurisdiction	FY2018	FY2019	Total
Prince William County	\$32,345	\$9,845¹	\$42,190
Arlington County	\$169,568 ²	\$36,991 ²	\$206,559
Henrico County	\$4,500	\$4,500	\$9,000
City of Virginia Beach	\$2,500	\$18,000	\$20,500
Loudoun County	\$0	\$0	\$0

¹Excludes \$10,000 of Tourism grants. Tourism is not part of Parks & Recreation for all jurisdictions compared, as noted below.

²Arlington Parks & Recreation sub-receives funds from the Department of Human Services (DHS) for the congregate meals program.

³Fairfax County did not provide grant detail to include in this analysis.



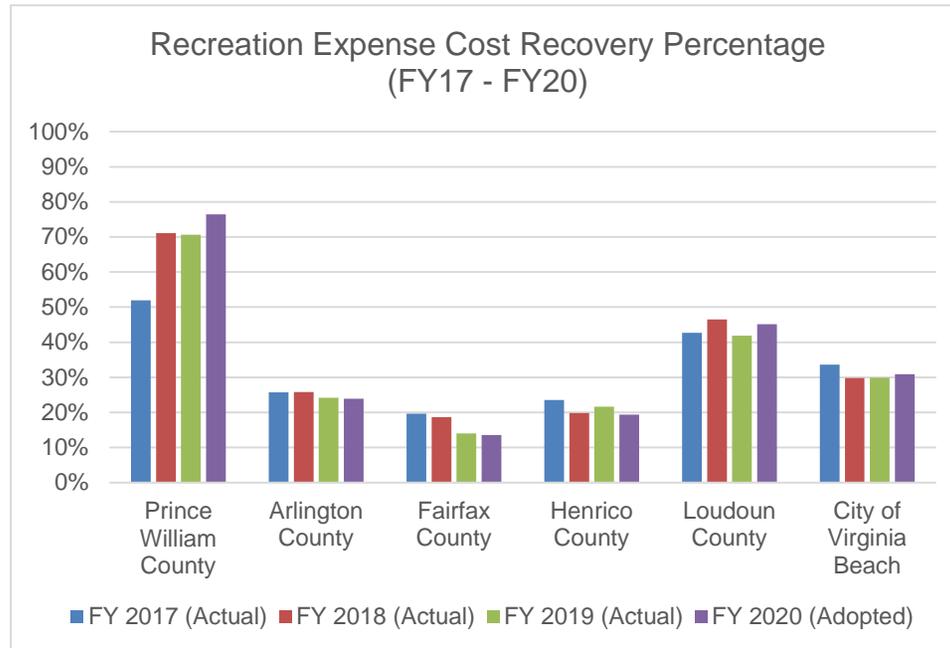
BACKGROUND – CONTINUED

Comparable Entities

Organizations of all types and sizes recognize the value of comparing themselves to other like organizations. This process of benchmarking yields valuable information to leaders and decision makers. Identifying comparable peer groups can be extremely challenging, as no two jurisdictions are exactly alike. There are, however, risks inherent in the benchmarking process. Organizations could account for data differently; thus, there are limitations to the comparisons to Prince William County and the efforts of parks and recreation.

We gathered data from other jurisdictions across the Commonwealth to compare various metrics to PWC DPRT. For example, Prince William County DPRT focuses on a high cost recovery model to re-coup operational costs through the collection of recreation related fees. The tables below illustrate how DPRT compares to other similar jurisdictions in terms of cost recovery.

Note: The Northern Virginia Regional Park Authority (NVRPA) is a joint venture created under the Virginia Park Authorities Act of 1959 to protect and preserve Northern Virginia’s rich heritage of woods, meadows, lakes, and streams. The governing body of NVRPA is comprised of two members from each of the 6 member jurisdictions: Fairfax, Arlington, and Loudoun Counties, and the Cities of Alexandria, Falls Church, and Fairfax. Each member jurisdiction provides contributions in direct proportion to its share of the region’s population. The County’s contributions are accounted for in the County Construction capital projects fund. The County has no explicit and measurable financial interest in NVRPA.

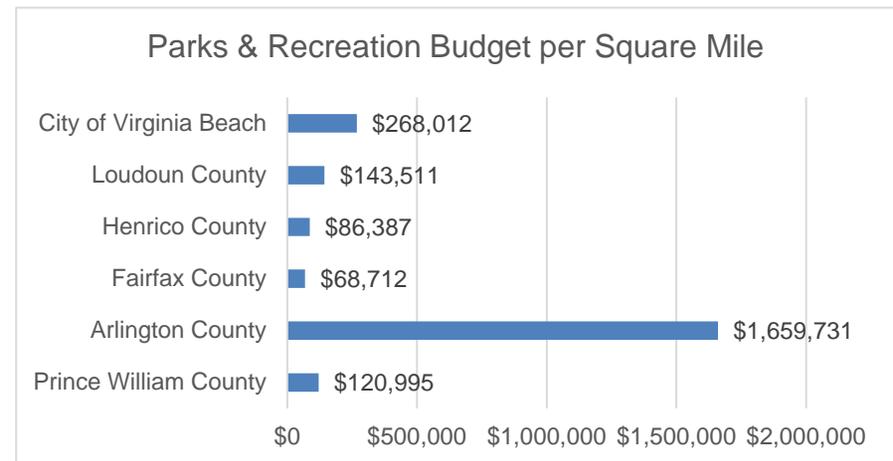
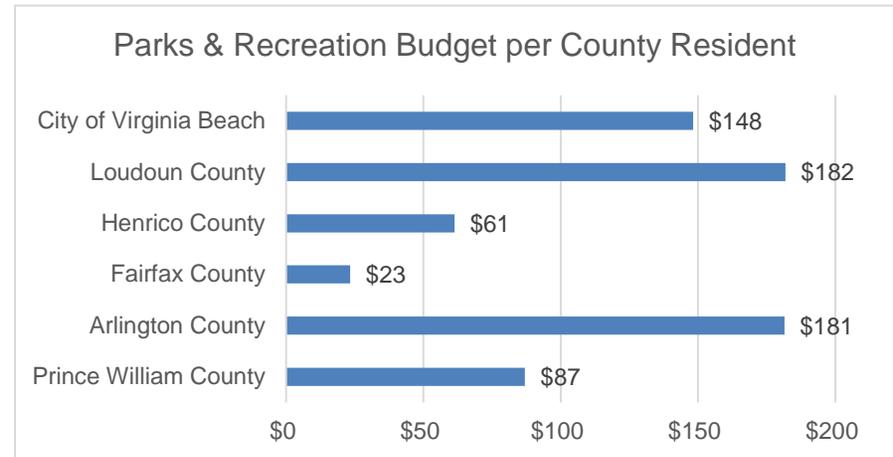
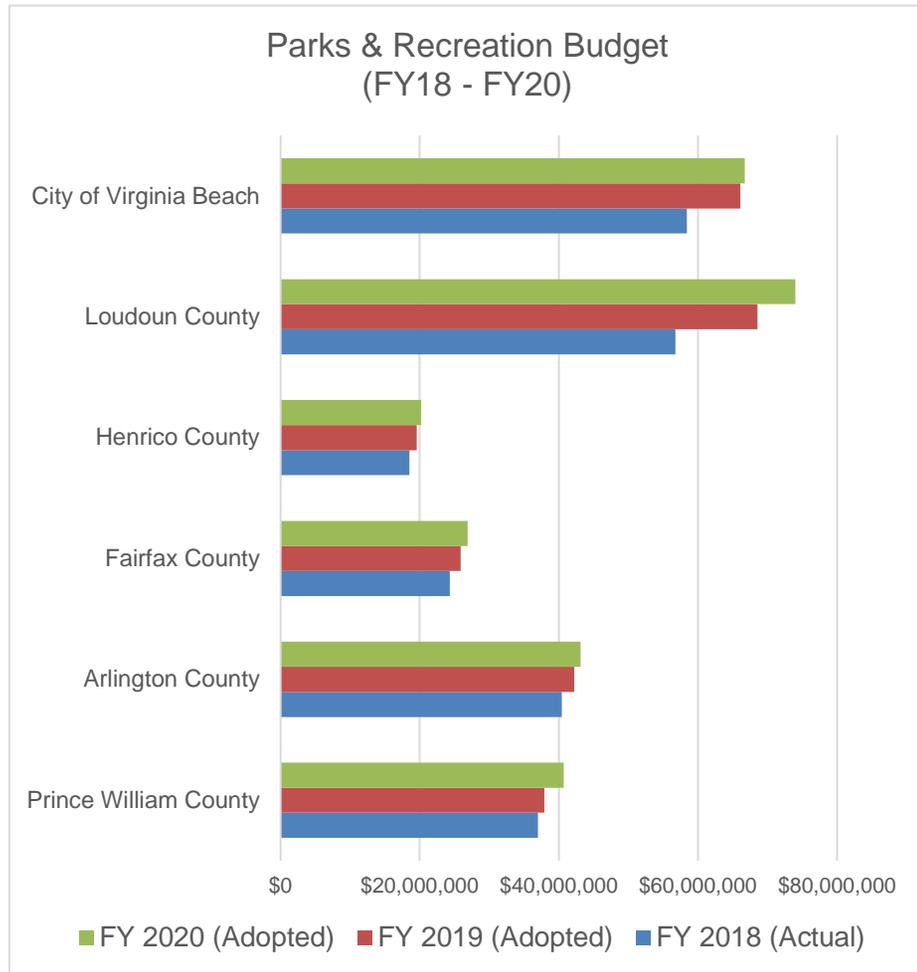




BACKGROUND – CONTINUED

Comparable Entities – continued

The figures below illustrate comparisons such as budget based on land area, and population, over the past three fiscal years. PWC appears fourth lowest in terms of spending per square mile (\$120,995) and spending per resident (\$86.97).





BACKGROUND – CONTINUED

Performance Measures

DPRT tracks a variety of performance measures to monitor progress towards strategic goals, revenue generation, customer satisfaction, community participation, among others. Below is an illustration of some of the performance measures included in the FY2020 adopted budget.

Parks, Recreation & Tourism Performance Measures					
Performance Measures	FY2016 (Actual)	FY2017 (Actual)	FY2018 (Actual)	FY2019 (Actual)	FY2020 (Adopted)
<i>Recreation</i>					
Satisfaction with quality athletic fields (community survey)	82%	82%	84%	84%	84%
Satisfaction with quality of pools & waterparks (community survey)	80%	80%	80%	80%	80%
Satisfaction with quality of indoor recreation facilities (community survey)	78%	78%	77%	80%	80%
Growth in non-golf recreation revenue	15%	1%	-2%	0%	3%
Participant visits (Parks & Centers)	1.5M	1.5M	1.8M	1.9M	1.8M
Rounds of golf (18-hole equivalent)	105,875	100,000	92,928	78,557	95,000
Water park admissions	159,848	159,000	139,000	158,000	159,000
Sports youth participant visits	1.4M	1.4M	1.4M	1.17M	1.4M
Sports adult participant visits	200,562	155,898	220,000	117,687	220,000
Sports tournament participants	31,604	35,586	37,000	33,571	37,000
<i>Marketing & Communications</i>					
Revenue growth not including golf, community pools and sports	0%	4%	0%	2%	2%
Annual website visitors	693,033	630,727	724,239	1,000,000	600,000
Advertising media distribution	25.8M	23.1M	40.4M	95.8M	25.0M
<i>Tourism</i>					
Transient occupancy tax revenue collected	\$3.7M	\$3.9M	\$4.39M	\$4.36M	\$4.57M
PWC visitor expenditures	\$571M	N/A	\$592M	\$619M	\$616M
PWC visitor generated local tax receipts	\$9M	N/A	\$9.2M	\$9.4M	\$9.6M
Visits to attractions/historic sites	3.3M	3.4M	7.4M	7.5M	7.4M
Total impressions and advertising reach	-	-	-	\$15.0M	\$8M
Public relations stories generated	111	52	73	158	16
<i>Historic Preservation</i>					
Customer satisfaction with visit to historic site	97%	99%	98%	95%	97%
Revenue recovery rate	4.3%	4.7%	6.2%	4.0%	5.0%
Programs at historic sites	832	890	846	693	900
Visitors to historic sites	82,841	156,421	130,353	149,198	170,000



BACKGROUND – CONTINUED

Performance Measures – continued

Other compared jurisdictions also track a variety of performance measures as illustrated below. Common measures across the majority of jurisdictions include customer satisfaction and visitor rate.

Jurisdiction	Performance Measure Category							
	Customer Satisfaction	Strategic Objective Achievement	Athletic Field/Facilities Maintenance and/or Availability	Year Over Year Parkland Acquisitions	Capital Project Completion	Visitor Rate	Program (Camps, Sports, etc.) Attendance	Procurement Turnaround
Prince William County	✓		✓		✓	✓	✓	
Fairfax County	✓	✓	✓	✓	✓	✓		
Loudoun County	✓					✓	✓	✓
City of Virginia Beach	✓					✓		
Henrico County			✓			✓	✓	
Arlington County								



BACKGROUND – CONTINUED

Budget

Based on our analysis, approximately 40% of DPRT funding is generated from program and activity revenue, while the remaining funding is provided by the County’s general fund. As such, DPRT participates in the annual County-wide budgeting process. In recent years, DPRT has enhanced its internal procedures related to the budget process by involving employees from all levels within the agency to make more informed decisions on the priorities and needs of the department and the community. Each year, over the course of eight months (January through August), DPRT reviews historical data, analyzes anticipated needs in the coming year, and ranks their budget initiatives based on a collaborative discussion across the department. A summary of the process is detailed below.

Process Step	Details
Review	The DPRT budget development process begins with a formal review of the prior year budget, the Countywide Strategic Plan, and the DPRT Strategic Plan. Consideration is also given to any budget guidance provided by the BOCS. These directives are provided to the Department Director via the County Executive.
Prepare	Budget training is administered for all DPRT staff and managers begin discussing budget initiatives with their respective division. Division Chiefs make a final decision on the ranking of suggested budget initiatives. These ranked initiatives are submitted to the DPRT finance team.
Collaborate	Once budget initiatives are submitted by all divisions, a Budget Congress* is held to prioritize and rank the initiatives that are submitted to the Community Development Functional Budget Team for prioritizing and then ultimately to the County’s Office of Management and Budget (“OMB”) for inclusion in the final proposed budget. All DPRT staff have the opportunity to attend this Budget Congress and are able to present in support of an initiative which they favor.
Submission	The final list of ranked budget initiatives is submitted to the OMB through the budget module within Ascend. The Community Development Budget Team, comprised of representatives from the departments categorized under the Community Development function, collectively reviews and ranks all Community Development budget initiatives, including the initiatives submitted by DPRT. OMB then reviews the prioritized submissions from the Community Development Budget Team and determines which items will be recommended to the County Executive (CXO) for inclusion in the Proposed Budget presented to the BOCS for the upcoming fiscal year. This process may include additional meetings as needed between OMB and DPRT for clarification.

*The Budget Congress is composed of eleven (11) delegates from across the DPRT. The number of delegates from each group is determined by the size of the program. The delegate breakdown is: Administrative Services: 1; Planning: 1; Grounds and Facilities Maintenance: 2; Historic Preservation: 1; Rangers: 1; Communications: 1; Recreation: 4.



BACKGROUND – CONTINUED

Budget – continued

The budget breakdown of the past five (5) fiscal years is shown below, which illustrates the financial support DPRT receives from charges for services. Any expenditures in excess of DPRT revenue are paid for through the County general fund.

Expenditure (by Program)	Fiscal Year				
	FY2016 (Actual)	FY2017 (Actual)	FY2018 (Actual)	FY2019 (Adopted)	FY2020 (Adopted)
Administration	\$3,314,982	\$3,543,041	\$3,548,270	\$3,370,494	\$3,366,036
Operations	\$12,926,419	\$12,385,325	\$13,066,700	\$13,823,401	\$14,531,018
Recreation	\$19,237,926	\$25,899,135 ¹	\$17,422,520	\$17,734,158	\$18,033,845
Security Rangers	\$0	\$0	\$930,574 ²	\$886,925	\$845,341
Marketing & Communications	\$0	\$0	\$844,292 ²	\$838,145	\$889,650
Tourism	\$0	\$0	\$1,199,639 ³	\$1,261,630	\$1,472,574
Historic Preservation	\$0	\$0	\$0	\$0	\$1,564,176 ⁴
Total	\$35,479,327	\$41,827,501	\$37,011,995	\$37,914,753	\$40,702,640

Funding Sources	Fiscal Year				
	FY2016 (Actual)	FY2017 (Actual)	FY2018 (Actual)	FY2019 (Adopted)	FY2020 (Adopted)
Use of Money & Property	-\$279,720	\$0	\$2,075	\$0	\$24,600
Miscellaneous Revenue	\$1,060	\$339,953	\$57,072	\$0	\$3,000
Non-Revenue Receipts	\$4,292	\$22,582	\$818	\$0	\$0
Charges for Services	\$13,589,000	\$13,458,402	\$12,388,582	\$13,719,689	\$13,778,142
Revenue from Commonwealth	\$0	\$0	\$14,500	\$0	\$0
Transfers In	\$222,664	\$149,266	\$26,265	\$26,790	\$1,073,189
Total	\$13,537,296	\$13,970,203	\$12,489,312	\$13,746,479	\$14,878,931
Use of TOT Funds	\$0	\$0	\$1,174,357	\$1,231,010	\$1,441,954
Use of Parks Enterprise Fund Balance	\$115,333	\$38,913	\$460,948	\$0	-\$46,800
<i>Net General Tax Support</i>	<i>\$21,826,698</i>	<i>\$27,818,385</i>	<i>\$22,887,378</i>	<i>\$22,937,264</i>	<i>\$24,428,555</i>

Identified Considerations:

1. The spike in recreation expenses during FY2017 was due to a transfer of assets from the Parks Enterprise Fund to the County's GASB34 Fund as a result of combining the community parks to the general fund.
2. Prior to FY2018, Security Rangers and Marketing & Communications expenditures were recognized as Recreation.
3. Prior to FY2018, Tourism was not combined with Parks & Recreation.
4. Prior to FY2020, Historic Preservation was a part of Public Works.
5. All information included in the figures to the left was obtained from the FY2020 adopted County budget.



BACKGROUND – CONTINUED

DPRT Procurement

DPRT utilizes the resources of Procurement Services on a consistent basis and follows the standard County processes regarding the purchase of goods and services. The most common purchases made by DPRT are related to operational needs such as food, arts and craft materials, water purifying chemicals, office supplies, fuel, etc. while the highest dollar values (in aggregate) are linked to larger capital projects. Due to the nature of DPRT operational needs, the Finance Department/Procurement Services has agreed to allow high-volume, low-dollar (“HVLD”) purchase orders (similar to a blanket purchase order) to be used for repetitive expenses. These HVLD purchase orders assist in expediting the purchasing process and supports the perpetual needs of DPRT. Additionally, DPRT uses the purchasing card (“PCard”) program as available. In FY2019, roughly \$1.17M of goods and/or services were paid for using a PCard.

The figures below detail the top ten (10) departments across the County in terms of purchasing activity (total spend, transaction volume, and average transaction) between FY2018 and FY2019. DPRT’s necessity for HVLD POs is illustrated here, as DPRT had the fifth highest transaction volume and the second lowest average transaction. The average expense for DPRT was \$1,058, which is statistically lower than the majority of departments.

Top 10 Departments by Purchasing Activity (FY 2018 - 2019)			
Department	Average Transaction	FY 2018 - 2019 Total Spend	FY 2018 – 2019 Transaction Volume
Information Technology	\$6,895	\$22,141,199	3,211
Default Value (Capital Projects)	\$5,942	\$36,986,376	6,225
Adult Detention Center	\$3,350	\$14,027,750	4,187
Fire & Rescue	\$2,053	\$34,225,996	16,668
Public Works	\$1,647	\$36,383,858	22,097
Social Services	\$1,259	\$15,284,575	12,145
Community Services	\$1,238	\$8,000,267	6,464
Police	\$1,215	\$6,539,058	5,383
DPRT	\$1,058	\$12,680,024	11,983
Housing & Community Development	\$1,009	\$19,197,323	19,033

DPRT - Top 9 Vendors by Total Spend (FY2019)	
Vendor	Total Spend
J.D. James Inc. ¹	\$1,050,094
JPMorgan Chase Bank N.A.	\$622,951
The Matthews Group Inc. DBA TMG Construction Corporation	\$441,865
FHP Tectonics Corp	\$397,195
US Foods	\$282,101
Prince William County Service Authority	\$189,549
Commercial Carpets Of America DBA CCA	\$169,987
Paschen Johnson Joint Venture	\$156,314
Northern Virginia Electric Cooperative	\$153,456

¹JD James Inc provided services related to the building of the Neabsco Creek Boardwalk.



BACKGROUND – CONTINUED

DPRT Procurement – continued

The Finance Department/Procurement Services provides departments with procurement support through the employment of Procurement Officers. Procurement Officers are tasked with facilitating purchasing requests from their assigned department(s), while monitoring compliance with applicable county, state, and federal regulations. In FY2019, DPRT had the third most purchase orders processed (903) and was fifth in terms of total PO value.

The purchase order approval process is initiated when a department identifies a need to purchase goods or services and submits a request within Ascend to encumber the funds needed to make the purchase. Depending on the dollar value of the purchase, certain procurement guidelines may need to be followed such as the submission of three (3) quotes for any purchase over \$5,000, in aggregate. Upon submission of the request along with any additional requirements, it is routed to the user department Finance Manager, who reviews and approves the submission. Once approved by the user department, the request is routed in Ascend to the designated Procurement Officer. The Procurement Officer reviews the submission and either approves the request or sends it back to the user department if additional information is required. In certain circumstances, additional approval may be required by the Assistant Director of Finance for Procurement Services. POs do not always require Procurement Officer review and approval prior to issuance (reference the following pages for additional detail).

In order to encumber funds to pay for obligated expenditures, departments must submit purchase order requests with appropriate scope of work and amount of funds needed for the goods or services being purchased. The approval time of these requests is paramount to the operational needs of each County department. The figures to the right illustrate the average turnaround time for all purchase orders from fiscal year 2019.

Top 10 Department PO Value (FY2019) ¹		
Department	Total POs	Total PO Value
Public Works	3868	\$60,359,548
Fire & Rescue	3789	\$42,802,245
Information Technology	564	\$35,821,177
Transportation	214	\$29,631,118
DPRT	903	\$16,660,625
Non-Departmental	238	\$14,386,825
Adult Detention Center	735	\$10,523,993
Community Services	277	\$9,500,175
Police	540	\$6,635,324
Social Services	390	\$1,869,582

¹Includes all POs processed during FY19. Source data extracted from Ascend by DoIT and Procurement Services.

PO Approval Time ² Analysis (FY2019) - All Departments		
PO Approval Time (Business Days)	PO Count	% of Total PO
<1	4875	51.13%
>1 ≤ 5	3502	36.73%
>5 ≤ 15	994	10.42%
>15 ≤ 50	150	1.57%
50+	14	0.15%

²PO Approval Time is the amount of time (working days) between the initial creation of the PO and final approval. This process may include either the Department initiating the PO request and Procurement, or only the Department in certain circumstances.



BACKGROUND – CONTINUED

DPRT Procurement – continued

Further analysis of PO approval (initiation to formal issuance) is provided below, broken down by the requesting department and Procurement Services action in Ascend. The table below includes all POs that required both department and Procurement Services action for approval, whereas the table on the following page includes POs that only required department action. POs created by departments may not require Procurement Services action for approval when the PO number corresponds to a contract already loaded into the Ascend catalog with the PO line items also matching the applicable catalog/contract criteria.

Average PO Approval Time by Department ¹				
POs which required both Department and Procurement Action				
Department ²	Avg. Days in Department's Queue	Avg. Days in Procurement's Queue	Avg. Total Approval Time	# POs
Fire & Rescue	1.73	0.71	2.44	1662
Public Works	1.95	1.21	3.15	1494
Parks & Recreation	2.27	1.30	3.57	450
Police	2.65	1.28	3.94	353
Information Technology	5.05	0.46	5.51	253
Adult Detention Center	1.47	1.18	2.65	243
Non-Departmental	1.12	0.57	1.69	176
Library	1.23	0.68	1.92	151
Social Services	1.73	0.99	2.72	130
Area Agency on Aging	1.51	0.39	1.90	124
Finance	4.72	0.65	5.37	90
Community Services	1.70	0.75	2.45	90
Transportation	3.18	0.76	3.94	76
Housing & Community Development	3.34	0.31	3.65	47
Economic Development	4.94	1.40	6.34	43
Development Services	6.47	0.71	7.18	42
Board of County Supervisors	1.29	0.56	1.85	37
Public Safety Communications	1.02	0.82	1.84	36
Executive Management	5.75	1.66	7.41	36
Human Resources	6.01	0.52	6.53	23
Planning	1.34	1.15	2.48	23
Sheriff	1.53	1.12	2.64	20

¹All POs initiated in the prior fiscal year and/ or were subsequent revisions of an existing PO were excluded from our analysis.

² Twelve (12) departments were excluded from this chart due to low PO activity—less than 20 PO's during FY2019.



BACKGROUND – CONTINUED

Procurement – continued

As noted on the previous page, POs frequently do not require Procurement Services action for approval. For POs that only require department-level approval, multiple stakeholders within the department will approve prior to finalization.

Average PO Approval Time by Department ¹ Only Department Action Required		
Department ²	Average Approval (Business Days)	# POs
Fire & Rescue	1.02	1428
Public Works	1.68	1177
Adult Detention Center	0.90	334
Parks & Recreation	1.98	308
Area Agency on Aging	1.18	115
Finance	0.70	105
Police	1.89	93
Social Services	1.39	64
Information Technology	3.96	46
Sheriff	1.56	40
Development Services	4.22	27
Transportation	2.78	25

¹All POs initiated in the prior fiscal year and/ or were subsequent revisions of an existing PO were excluded from our analysis.

² Eighteen (18) departments were excluded from this chart due to low PO activity—less than 20 PO's during FY2019.



OBJECTIVES AND APPROACH

Objectives

The primary objective of this internal audit was to evaluate the effectiveness and adequacy of key processes and control functions for DPRT operations, and assess compliance with applicable County policies and procedures. The scope of this internal audit will encompass financial transactions from July 1, 2018 through June 30, 2019. Areas of focus included: fee generation, procurement, grant management, and budget management.

Approach

Our audit approach consisted of the following three phases:

Understanding and Documentation of the Process

During this phase of the audit, we conducted interviews with the appropriate representatives from the DPRT to discuss the scope and objectives of the audit work, obtain preliminary data, and establish working arrangements. We obtained and reviewed 1) copies of financial information; 2) applicable County policies related to this internal audit and 3) other documents deemed necessary, performed walkthroughs of the process(es) and key controls to gain an understanding of the function and assess the design of the process/key controls, documented the process(es) via flowchart, and developed a risk-based work plan for the evaluation of the design and operating effectiveness of processes and controls, based on the information obtained through our review, inquiry and walkthrough procedures.

Evaluation of the Process and Controls Design and Testing of Operating Effectiveness

The purpose of this phase was to assess and review compliance and operating effectiveness of DPRT processes and key controls related to the following areas: fee generation, procurement, grant management, and budget management. Our testing was conducted utilizing sampling and other auditing techniques to meet our audit objectives outlined above. Procedures included the following:

- Obtained an understanding of DPRT's programs that generate revenue and involve fee calculation, administration, and collection;
- Obtained an understanding of the process and controls related to DPRT's budget process, specifically related to revenue generating programs;
- Obtained an understanding of current grants DPRT receives and the processes to manage the related administration and reporting;
- Obtained an understanding of the procurement process DPRT utilizes to obtain goods and services from third parties;
- Performed testing on a sample of programs to validate the appropriate fees were charged to end users;
- Performed comparative analytics on DPRT fees, budgets, grants and procurement activity to other local jurisdictions;
- Performed testing on a sample of DPRT procurements to validate alignment with County procurement requirements;
- Compared DPRT procurement activity to other PWC departments;
- Performed testing on a sample of grants awarded to DPRT to validate compliance and identify opportunities to improve efficiencies among the decentralized grant administration process;
- Assessed adequacy of records and documentation to establish an audit trail and that policies and procedures are appropriately followed; and
- Provided recommendations for process improvements.

Reporting

At the conclusion of this audit, we summarized our findings into this report. We conducted an exit meeting with the appropriate Management personnel, and have incorporated Management's response into this report.



OBSERVATIONS MATRIX

Observation	1. Procurement Resources & Planning
Low	<p>Based upon interviews with DPRT and Procurement Services staff, along with review of relevant purchasing data from CY 2019, we noted apparent inefficiencies within the procurement process related to DPRT activities. Additionally, according to interviews, DPRT self-identified approximately seven (7) improperly authorized purchases over the past eighteen (18) months. Since these incidents occurred, DPRT and Procurement Services have collaborated to improve the effectiveness of applicable procurement processes.</p> <p>During FY2019, Fire & Rescue processed and approved approximately four (4) times the number of POs as compared to DPRTs (<i>reference pages 15–17 for applicable data</i>). Both departments experience a high-level of procurement activity relative to other PWC departments, Fire & Rescue processed the most POs and DPRT processed the third most POs in the County during FY2019. Although Fire & Rescue processed significantly more POs than DPRT, they were able to complete the PO approval process:</p> <ul style="list-style-type: none"> • ~46% quicker for POs which required both department-level and Procurement Services approval; and • ~94% quicker for POs which only required department-level approvals. <p>Fire & Rescue has identified procurement as one of their keys to mission success. Therefore, they have utilized a Fire & Rescue FTE to be stationed within the Procurement Services office and report to the Assistant Director of Finance for Procurement Services. Fire & Rescue also utilizes a Service Contract Administrator who is stationed within the Fire & Rescue office and coordinates with the applicable Fire & Rescue FTE within Procurement Services. Both of these positions are budgeted and funded by Fire & Rescue. According to the Assistant Director of Finance for Procurement Services, this collaborative structure has generated many efficiencies in the procurement process.</p> <p>Like the majority of PWC departments, DPRT does not have a dedicated FTE to support procurement activities for the department. Therefore, Procurement Officers—within Procurement Services—engage with various individuals within DPRT as needed to fulfil DPRT’s procurement needs.</p> <p>Additionally, DPRT does not prepare and track all upcoming and anticipated operational procurement needs on a consistent basis. Based upon discussion with DPRT personnel, informal discussions have taken place in the past, however these efforts have not become a consistent practice.</p> <p>Without the appropriate resources and planning functions in place to support procurement needs, departments may experience various inefficiencies in both the procurement process and the ability to obtain goods and services critical to the execution of their mission.</p>
Recommendation	<p>We recommend the following:</p> <ul style="list-style-type: none"> • Procurement Services and DPRT collaborate to consider a structure that enables efficiencies and determine the appropriateness of repurposing a current DPRT FTE to, for example, provide procurement support and sit within DPRT, but report directly to the Assistant Director of Finance for Procurement Services. Various other structures and solutions should be considered by Procurement Services and DPRT. The ability to have an individual with both the technical knowledge of a specific department’s operations and also be a procurement expert would generate efficiencies. • Implement proactive purchase planning within DPRT, in conjunction with Procurement Services, to enable long-term planning of upcoming purchases. This will not only include planned purchases, but initial planning regarding solicitation type and search for available active County contracts to utilize. Utilization of a “parking lot” tool is critical to proactive purchase planning since it documents the related activities and initial decisions.



OBSERVATIONS MATRIX – CONTINUED

Observation	1. Procurement Resources & Planning - continued
Management Action Plan	<p>Response: Management concurs with the observation. DPRT Finance has recently established a main point of contact and developed processes to help mitigate our short-term risks. DPRT has established monthly planning meetings with Procurement Services. These meetings allow us to communicate and prioritize agency purchasing needs, as well as identify inefficiencies and develop consistent guidelines and direction from Procurement Services.</p> <p>DPRT's long term goal is to research and analyze a procurement structure like Fire & Rescue's. DPRT believes major efficiencies can be gained by having one in house specialist responsible for supporting both our operational and project procurement needs. DPRT will collaborate with Procurement Services on identifying what resources are necessary to build this structure. DPRT will reallocate 1 FTE if maximizing efficiencies necessitate additional resources for Procurement Services.</p> <p>Responsible Party: DPRT Finance and Procurement Services</p> <p>Estimated Completion Date: March 31, 2021</p>



OBSERVATIONS MATRIX – CONTINUED

Observation	2. Grant Management Procedures
Low	<p>Grants are funds awarded to individuals, organizations, state and local governments, etc. and are intended for a specific purpose. The funding can be provided from many sources, including the government, non-profit corporations, or even individuals. In most cases the recipient is required to provide verification validating appropriate use of funds. Dating back to FY2016, DPRT has been awarded 16 grants for a total of \$305,545.</p> <p>DPRT does not have documented procedures for grant monitoring and management. Based on discussions with DPRT personnel, there is intent to expand efforts to pursue more grant opportunities in the future. While we did not identify exceptions to grant compliance through our transactional testing, significant growth in grant funds awarded will increase the necessity for appropriate management and monitoring to maintain compliance with grant requirements.</p> <p>If appropriate procedures are not in place, DPRT is at risk of failing to comply with grant requirements causing various reputational, legal, and financial impacts.</p>
Recommendation	<p>We recommend DPRT create procedures for grant management and monitoring incorporating County-wide grant management policies as well as Government Finance Officers Association (“GFOA”) best practices. We suggest that the grant management and monitoring procedures include the elements listed below. While some of the elements below apply to more robust grant management functions, they should be considered to support the expansion of DPRT’s utilization of federal and state grants. Grants vary widely in terms of requirements, so in cases certain elements will not be applicable to a grant utilized by DPRT. The following elements may be in place, however they are not captured in a standard procedural document.</p> <ol style="list-style-type: none"> 1. <i>Grants identification and application.</i> Provide advance notice to appropriate authority, such as finance, so that the effects on the government, for example, budget, cash flow, procurement requirements, financial reporting, or compliance requirements can be reviewed and understood beforehand. 2. <i>Strategic alignment.</i> Assessment of the extent to which a grant is consistent with the department’s mission, strategic priorities, and/or adopted plans as opposed to simply constituting additional funding. 3. <i>Funding analysis (when applicable).</i> Multi-year cost/benefit analysis prior to application or acceptance. A threshold can be determined to identify grants requiring a multi-year funding analysis. This threshold should be included in the procedures document. 4. <i>Evaluation prior to renewal or grant continuation.</i> Procedures regarding grant renewals and requirements of an evaluation of the impacts of the grant-funded program or asset prior to deciding whether to continue a grant at the end of the initial grant period. 5. <i>Administrative and operational support.</i> Requirement that the department obtain a detailed understanding of grant terms and conditions and specify how the grant will be monitored, such as a project plan, training, terms and conditions for grant-funded personnel, expenses and reimbursement related to grant charges, and specific roles and responsibilities. <p>Appropriate procedures will assist DPRT in maintaining compliance and oversight of grant funding, as well as assist in identifying grant opportunities that are worthwhile to pursue.</p>



OBSERVATIONS MATRIX – CONTINUED

Observation	2. Grant Management Procedures – continued
Management Action Plan	<p>Response: Management concurs with the observation. DPRT Finance will develop an agency procedure that provides guidance to grantees and ensures compliance to County-wide grant management policies. This procedure will incorporate identification and application, strategic alignment, funding analysis, evaluation, and administration of all grants.</p> <p>Responsible Party: DPRT Finance</p> <p>Estimated Completion Date: September 30, 2020</p>



OBSERVATIONS MATRIX – CONTINUED

Observation	3. Proactive DPRT Budget Planning
Low	<p>DPRT has an effective budgeting process, but does not prepare a multi-year plan for upcoming budget initiatives in concert with the County's and Schools Capital Improvement Plans ("CIP"). Based upon discussion with the Office of Management and Budget ("OMB"), the DPRT budget is impacted when a new school is built. Any recreation facilities that are built along with a new school are the responsibility of DPRT to manage and maintain. Increased maintenance responsibilities has a direct impact on the on-going operating expenditures of DPRT.</p>
Recommendation	<p>We recommend DPRT enhance its budgeting process by preparing a multi-year plan taking into consideration the school system's upcoming CIP initiatives. This plan should be documented and incorporated into the current DPRT budgeting process.</p>
Management Action Plan	<p>Response: Management concurs with the observation. DPRT's Finance Division will incorporate a new procedure to ensure our budget process captures DPRT's future financial needs related to Prince William County Schools CIP schedule. DPRT will identify equipment needs, increase operating costs, and additional personnel needs. The additional funding will be requested via initiatives during the yearly budget process.</p> <p>Responsible Party: DPRT Finance</p> <p>Estimated Completion Date: September 15, 2020</p>



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