

# **City of Petersburg, Virginia**

**Report of Forensic Auditing Services**

**Issued By: PBMares, LLP**

**September 8, 2017**

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APPENDIX C – Interview Memo of City Treasurer (with redactions)

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## I. EXECUTIVE SUMMARY

This Report details the findings of our forensic auditing services for the City of Petersburg (hereafter “Petersburg” or “City”), subject to the limitations and scope of our services as later described. The scope of the forensic auditing services was publicly advertised by Petersburg in its January 19, 2017 Requests for Proposals (see Attachment A), but it was significantly revised on March 23, 2017 (see Attachment B), prior to the award of the contract.

The actual scope of our work may not be consistent with perceptions about the scope and/or purpose of our work, which has sometimes been incorrectly reported by various media and/or publicly suggested by Petersburg personnel. Our scope did not include an examination designed to determine what caused Petersburg to decline into a fiscal crisis. Similarly, our scope did not include a forensic audit of all City Departments, Agencies, or areas and should not be relied upon to assume that any City Department, Agency or area may not have been the subject of any misconduct, fraud, waste or abuse during our scope period.

Based on our examination, we have made observations, formed certain opinions, and/or made recommendations, which are summarized in this section and more fully detailed within the body of this Report.

We applied the “Fraud Triangle” as one means of assisting our assessment of Petersburg’s general risk for misconduct, fraud, waste or abuse, which was relevant to some areas subject to the scope of our examination. The Fraud Triangle is a theory developed by Donald Cressey, an American sociologist and criminologist, which is generally accepted by professional fraud examiners to describe the factors that cause a person to commit occupational (internal) fraud. It consists of three components which, together, affect the risk of occupational fraud. As the risk(s) within each of these three areas/components increases, Cressey hypothesizes the risk for internal fraud increases.

The first area of the Fraud Triangle is “Opportunity,” that is, the ability for a person to engage in misconduct or fraud. This area is generally associated with the strength and effectiveness of internal controls, but also includes a person’s knowledge, experience, creativity, authority, and/or access. For example, a person who is educated in accounting, where they have studied internal controls, or who has been in a role for a long period of time such that they intimately understand controls in place, may be able to circumvent controls better than someone lacking such education or experience.

The second area of the Fraud Triangle is “Rationalization,” which concerns a person’s ability to internally justify wrongful actions. This is often affected not only by a person’s individual moral compass, but also by the ethical tone within an organization and the person’s perception about the fairness and equality of rewards and punishments for actions and behavior.

The final component of the Fraud Triangle is “Pressure,” sometimes also referred to as “Motivation.” In the context of the Fraud Triangle, this generally relates to a financial need within a person’s life that they do not perceive can be shared with an employer. This need can arise from a broad range of things, from common and ordinary life issues (i.e. divorce, excessive debt, medical expenses, etc.) to those that are more nefarious (i.e. drug addiction, gambling debts, extra-marital affairs, etc.).

As a by-product of our examination of the areas subject to our Scope of Work for Petersburg, we have obtained information that leads us to believe the risk(s) within each component of the Fraud Triangle is high/severe in Petersburg, making the risk of internal misconduct, fraud, waste or abuse in Petersburg high/severe. As it concerns “Opportunity,” Petersburg’s internal controls have traditionally not been strong and there are many employees who have been in roles for lengthy periods of time (some exceeded 30 years), such that they were able to tell us ways in which existing internal controls might be circumvented.

Similarly, the ability for employees to rationalize misconduct, fraud, waste or abuse is present and high. We found the perception of “ethical tone” in Petersburg was not strong/positive, with many historical instances or allegations of misconduct reported to us and or identified in public records of investigations of misconduct of Petersburg Officials, Leaders and/or employees. Also, factors such as pay-cuts, turn-over, instability in management, and poor communications have contributed to an ability for Petersburg employees to rationalize misconduct, fraud, waste or abuse.

Finally, the “Pressure” or “Motivation” of Petersburg employees has been affected by such things as low rates of pay, high costs of living, availability of illegal drugs, perceived lack of job progression (promotions), and the economy in general. For example, one person we interviewed, who has access to cash, takes home slightly over \$1,000 per month, making it extraordinarily difficult for that person to meet just his/her essential living needs.

An organization can take actions to reduce the risk(s) within each component of the Fraud Triangle, thereby reducing the risk of internal misconduct, fraud, waste or abuse. Though our scope of work did not specifically include a fraud risk assessment, some aspects of such an assessment were a by-product of parts of the scope of our work. We have included within our Recommendations some actions that may reduce these risks.

The scope of our work included an examination of water and waste water billings and collections (see “Scope of Work” Section of this Report). We were directed to include as part of this area an examination of the facts and circumstances surrounding the award of a Water Meter Replacement Contract and its implementation, including *“(If the individuals who had the authority to approve these decisions were performing within the best interest of the City and with consistency.”* Additionally, we were directed to identify any “red flags” that may be indicative of possible misconduct, fraud, waste or abuse in the procurement process and within the actual work performed as part of that contract.

Because most of the Petersburg employees involved in that contract were no longer employed by Petersburg, we were unable to conduct key interviews that would be necessary for a complete examination and which could have a material effect on our findings. Our findings are based solely on interviews of some current Petersburg

employees who were involved with that contract (at lower levels), as well as a review of relevant documents and data.

While our examination did not identify any red flags indicative of a quid-pro-quo or misconduct associated with the procurement process (which was changing amid this time-period) and final selection of the vendor for the water meter replacement contract, it appeared that the objectivity and judgment of the Public Works personnel assigned to the procurement committee for the water meter contract could have been affected in favor of the project's ultimate winner. Nonetheless, it appeared that the firm that won this contract was capable and qualified and was the lowest bidder of the two most apparently qualified bidders identified by the City in the procurement process.

Regarding the implementation of the water meter replacement contract, our examination found that it was an extraordinarily complex project for which the City personnel involved did not appear prepared for or experienced in managing. The project appeared to have been very poorly planned and managed by Public Works, but not by the vendor. Despite significant delays in the implementation of the work due to the complexity of the project and finding funding, Public Works officials responsible for the project, though warned of the trouble areas (specifically the integration of water meter data with Petersburg's billing system), did not appear to adequately plan and prepare for such problems early enough. It was not until many months after the water meters began being installed that Public Works employees began working on the data transfer/water billing part of the project, which, as they were warned, came with significant issues that further delayed Petersburg's ability to begin accurately billing. Most of those issues resulted from inaccurate or incomplete water billing data maintained by Public Works and failures to timely respond to vendor requests for data or actions.

Also, it did not appear that Public Works assigned a dedicated "Project Manager" to oversee the project on its end, resulting in communications about issues and aspects of the project not being timely handled and/or appropriately communicated. These issues were further exacerbated by Public Works' employee turn-over/reassignment and a failure to respond to the vendor's concerns or questions timely. On the contrary, the vendor appeared to have a dedicated project manager through whom all information

appeared to flow, allowing the vendor to manage its work more effectively and efficiently and respond to the City timely.

While there were no indicators of misconduct, fraud, waste or abuse noted during our examination of the water meter replacement contract, we did find that some Public Works employees had relationships with the vendor that would ordinarily violate a “Conflict of Interest” and/or “Gifts and Gratuities” policy. Some of the actions referred to included: payment by the vendor for meals or entertainment of Public Works employees, sharing of information about other job opportunities, and allowing a Public Works employee to attend conferences under the vendor’s contract (apparently to avoid paying the conference registration fee).

Though our examination did determine that misconduct was possible, even probable, in such areas as P-Card usage, fuel diversion, cash diversion, thefts/misuse of assets, overtime, and holiday/sick leave usage, we did not seek to identify all possible abuses (most small in dollar value) and further examine them, rather we were asked to focus on larger possible misconduct and the internal controls and processes around these areas.<sup>1</sup> Some of those processes and controls, such as those concerning time-keeping and P-Cards for example, are in the process of being revised, so there was little point in deeply examining them and making recommendations – which we would recommend be done once those processes and controls are determined and implemented.

We identified within the Treasurer’s Office two relatively significant dollar value thefts and a possible much larger scheme whereby many tens of thousands of dollars could have been misappropriated. Due to the City’s possible exposure in terms of what could have been misappropriated and the involvement of a public official, we were directed to examine these issues more closely.

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<sup>1</sup>In our experience, a bucket with many small holes can lose as much water as a bucket with one large hole. Our examination was intended to be a higher-level examination that might identify “large holes” and we recommend the City consider more focused and directed forensic audits if it desires to identify smaller instances of misconduct, fraud, waste or abuse.

As it concerned the theft(s), they involved the stealing of \$2,371.44 in petty cash in the Treasurer's Office. Internal controls in the Treasurer's Office are weak and all six (6) of the employees within that office had access to petty cash. Ultimately, the City Treasurer admitted to us that he had stolen the petty cash. Also of concern was a pattern we uncovered whereby the City Treasurer would inappropriately waive tax penalties, interest, and sometimes principal (effectively an "abatement" of taxes). Of prime concern was that doing so in such manner would have allowed the City Treasurer to misappropriate portions of or whole cash tax payments while concealing it on the City's books and records. The City Treasurer admitted to us that he had done these waivers knowing that it was impermissible and/or a violation of the *Code of Virginia*, but denied that he had misappropriated any City funds other than petty cash.

Because of the City Treasurer's admission to the petty cash thefts and the costs that would be involved in conducting a full forensic audit of a possible scheme involving his waiving tax penalties, interest and/or principal amounts, City Management directed us to file a complaint with the Federal Bureau of Investigation (FBI) on behalf of the City. We provided all the relevant information to the FBI and were authorized by the City to assist them if so requested. Presently, we have no evidence the possible tax waivers scheme(s) we identified was ever actually used to misappropriate additional City funds.

## **II. ARRANGEMENTS**

### **A. Retention**

PBMares was retained by Petersburg pursuant to its January 19, 2017 Request for Proposals (RFP No. 17-0013 – see Attachment A) to conduct forensic auditing services of eight (8) specific areas as per a revised scope of work dated March 23, 2017 (see Attachment B). We remained within the scope of RFP No. 17-0013, as revised.

PBMares has charged its standard hourly rates (no "flat rates" or "contingency") throughout its engagement and has no interest in how any matters subject to our examination is decided and/or resolved.

**B. Limitations**

Our findings and observations are based solely upon the discovery and examination of information provided to us by Petersburg or was publicly available. Upon our engagement, we devised a work-plan in accordance with our scope that was used to create a request for documents and identified Petersburg employees for interviews. Our requests were those that we believed reasonable to an examination consistent with our scope.

A significant limitation to our examination was the inability to interview former Petersburg personnel. We rely heavily on interviews as part of our forensic audit examinations and not being able to speak with former Petersburg employees whom we would reasonably believe to have important and relevant information to our examination greatly diminished our ability to fully examine some of the areas subject to our scope. Our findings and conclusions could be materially affected by information that those persons may be able to provide.

Another limitation was the inaccuracy, unavailability, and/or nonexistence of reliable data. Data for various areas subject to the scope of our examination, such as fuel, Land Books, and water meter billing, was not sufficiently reliable and/or available to permit complete, effective, or efficient examinations of those areas.

This Report presents our observations based only on the information available to us over the course of our examination to date. Should we review or be provided with additional information, access to former employees, or data or documents, we reserve the right to modify or supplement our Report to reflect consideration of such additional information, if we deem it necessary or appropriate, or should it be otherwise requested that we do so as an Addendum to this Report.

We were not engaged to conduct an audit of Petersburg under Generally Accepted Auditing Standards and accordingly do not express any opinion regarding Petersburg's financial condition nor the financial or financial statement impact, if any, of our findings. Likewise, we were not engaged to perform any agreed upon procedures as defined under standards issued by the American Institute of Certified Public Accountants.

We were not engaged to assess or test all the internal controls or the accounting procedures of Petersburg and do not express any opinions on their effectiveness, adequacy, or compliance, nor were we engaged to evaluate the financial position or financial resources of Petersburg and express no opinion on their adequacy or strength.

Though we are experienced in and routinely provide fraud examination services, there is no assurance that misconduct, misrepresentations, fraud, waste or abuse, even if they existed or exist, would be uncovered. Such activities are, by nature, hidden, and though our examination utilized forensic accounting techniques commonly applied in fraud examinations, those techniques are not guaranteed to uncover any or all instances of fraud, waste and abuse, misconduct, or misrepresentations.

### **C. Sources Relied Upon**

Our findings and opinions are based solely upon information available to us as of the date of this Report. In conducting our analysis and formulating our conclusions, we held discussions with and/or relied upon documents provided by Petersburg, and/or as we deemed necessary. Over the course of our examination, many thousands of pages of documents were produced for our review. We also interviewed or had less formal, but substantive, discussions with over thirty (30) employees of Petersburg.<sup>2</sup>

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<sup>2</sup> In addition to Petersburg employees, we also interviewed two current or former City of Petersburg residents, two former Petersburg employees, and one former Petersburg Public Official.

### III. SCOPE OF SERVICES

PBMares was engaged to examine the documents and data described above, for the purposes of performing forensic auditing services on eight (8) primary areas as per the revised scope of work associated with RFP No. 17-0013 (these are directly quoted):

1. *Payroll and Accounts Payable – Duplicate Payment of Employees and Vendors.*
2. *City issued Credit Cards to Include Purchasing and Travel Cards – Employee use/abuse as well as determining if cards are being used for personal gain and if cards are being used during weird unusual hours of the day.*
3. *Cash Management at the Point of Entry, including an inventory of points of entry.*
4. *Review of all City owned checking accounts.*
5. *Bank Reconciliation process and weaknesses.*
6. *Appropriateness of Tax Assessments, Tax Abatements and Tax Credits, and Write-Off's provided to individuals, for all taxes. Whether the individuals who had the authority to approve these decisions were performing in the best interest of the City and with consistency.*
7. *Fuel usage – Frequency of use by individuals for possible abuse.*
8. *Water and Waste Water Billing and Collections and the appropriateness of credits, waivers, and payment plans provided to individuals. If the individuals who had the authority to approve these decisions performing in the best interest of the City and with consistency.*

After discussions with Petersburg about the scope, we constructed a document request designed to obtain those documents which we believed would reasonably allow us to conduct our examination and identified individuals for interviews. Petersburg provided all requested documents/data and provided us with access to individuals for interviews.<sup>3</sup> Petersburg allowed that each person interviewed could provide information to us anonymously, meaning we did not have to disclose to Petersburg who told us what information, subject to certain limitations.

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<sup>3</sup> As noted in the Limitations section of our Report, some of those requested for interview were no longer employed by Petersburg and, therefore, could not be interviewed.

Our examination included the review of all documents previously described, publicly available information, discussions with City Management and other employees, and interviews. Subject to the Limitations section above, we have based this Report on that information available to us to date.

#### **IV. ANALYSIS AND FINDINGS**

##### **A. Payroll and Accounts Payable**

It was directed that we identify and examine any duplicate payments made by Petersburg to employees and vendors. Additionally, we were asked to compare employee identifying information against vendor identifying information.

For our scope period, we obtained relevant financial data directly from the City's general ledger software (Bright and/or BAI), compiled it into one file, and normalized it.<sup>4</sup> Among this data was a listing of all City employees for each year subject to our scope, which included, among other data points: personal addresses, social security numbers, phone numbers, and emergency contacts.

Also among this data was the master vendor file from the City's Accounts Payable sub-ledger, which included all active, inactive, and deactivated vendors. For each vendor was included such information as vendor ID, vendor name, address, phone numbers, and Employer Identification Number. The last data set consisted of Check Registers from the City's Accounts Payable and Payroll modules. The Accounts Payable Check Register included relevant fields such as date, vendor number, vendor name, dollar amount, invoice number, invoice date, and general ledger account information. The Payroll Check Register contained relevant fields including, among others, employee name, employee number, department, check number, check date, gross pay, sick/holiday time, and net pay. The Direct Deposit Register contained direct deposit information for each employee.

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<sup>4</sup> The data in the system was captured inconsistently within various data fields. Dates, for example, would have one entry in the format of XX/XX/XX, while another was X/X/XXXX. All the data within relevant fields must be normalized ("standardized") before it can be analyzed.

After the data was obtained, compiled into one file, and normalized, we applied forensic auditing techniques and used data mining software. From the Accounts Payable Check Register, we identified any checks dated outside of the City's normal operating parameters, which we were informed by the City to consist of weekends or holidays. We did not identify any transactions that fell on such dates.

We also identified ninety-five (95) vendors whose names were identical or substantially similar, but had a different vendor number associated with them.<sup>5</sup> For illustrative purposes, following are several examples:

- 4IMPRINT INC (Vendor #4396) and 4IMPRINT, INC (Vendor #9295)
- BB & T INSURANCE SERVICES (Vendor #9166) and BB&T INSURANCE SERVIC INC (Vendor #984)
- CITY OF PETG TREASURER (Vendor #7918) and CITY TREASURER-PETERSBURG (Vendor #5991)

A qualitative examination, which included public information research, of the data associated with a statistically relevant sample of these ninety-five (95) vendors resulted in no unusual findings. It appeared the duplications in the master vendor file were due to user entry errors.<sup>6</sup>

For these ninety-five (95) vendors, we also identified from the City's Accounts Payable Check Register all payments made to them. Among those payments were checks that appeared to be duplicate payments based on dollar amount, check date, or invoice number. For a statistically relevant sample of those payments, we obtained and examined supporting documentation (e.g. invoices).

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<sup>5</sup> This forensic auditing technique is one means of identifying possible false and/or altered vendors; therefore, this data field was not normalized.

<sup>6</sup> More than one person from more than one department, including personnel in Procurement (outside of the Finance Department), can setup and/or modify vendors in the City's system. This not only permits and contributes to such errors as we identified, but also fails to appropriately segregate duties to ensure that those who can setup and/or modify vendors cannot also approve invoices, process invoices, and/or authorize or issue payments to vendors.

Although we identified several payments that appeared to have been duplicated, these payments had already been properly identified by the City and voided within Bright. For those transactions that were not voided, supporting documentation validated the transactions. Our examination did not identify any additional questionable transactions associated with these vendors.

To further assess the possibility of duplicate employees and/or unauthorized vendors, we compared the underlying data within the Employee Listings and the Vendor Master File to identify any employees and vendors with similar or matching identifying information, including, but not limited to: addresses, phone numbers, social security numbers/EIN's, and emergency contact names and phone numbers. We identified one employee whose address matched that of a vendor's address. We examined that employee's personnel file and obtained supporting invoices for payments made to that vendor. It was determined that the vendor's owner was related to the employee and, as a result, they shared the same address. Furthermore, that employee's role did not present a segregation of duties or conflict of interest concern as it related to that vendor.

From this data, we also identified City employees who were setup as City vendors. Based on representations from City Management and substantiated by our review of supporting documentation, City employees are sometimes setup as vendors to reimburse them for authorized work expenses incurred outside of the normal payroll cycle. We did not identify any other questionable transactions requiring additional examination.

Utilizing the data from the Accounts Payable Check Register, we identified City payments to vendors or employees where the vendor numbers, invoice numbers, check dates, or gross pay/check amount(s) were identical or substantially similar. The vast majority of transactions identified were duplicate payments that had already been identified and examined in our other testing, which, as previously noted, had already been identified and appropriately voided by the City. We also found that many of these transactions were due to one check being appropriately split amongst several different general ledger accounts.

For the remaining transactions identified, we selected a statistically relevant sample for which we obtained and examined original supporting documentation. All transactions we examined appeared to be reasonable, were properly approved, and were supported by adequate documentation.

During several of our interviews, City employees reported the recording of time off (leave and sick time) and overtime were susceptible to abuse and that those areas were generally and historically known to have been abused. The current time-keeping system does not appear to have adequate controls to prevent and/or detect such abuse(s).<sup>7</sup> In actuality, under the controls in place during the scope period of our examination, such abuses would be easy to commit and difficult to detect.

Using Payroll data, we made a high-level assessment of overtime and “banked” leave and sick time. We found that many employees had relatively large amounts of overtime and/or had maxed out their banked leave and/or sick time. There were a few individuals with very significant amounts of banked time-off whom we brought to City Management’s attention. Based on the assessment by, and representations of, City Management and our review of those persons’ roles, responsibilities, and tenure, the amounts appeared reasonable for those persons. We did not identify any others so significant as to require further examination in accordance with City Management’s direction to us.

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<sup>7</sup> City Management was aware of these issues and was seeking to obtain a new time-keeping system. At the time of this Report, the City was in the process of selecting a vendor and new time-keeping system. Because of the difficulty and burdensomeness of identifying all such abuses within our scope period, we were directed only to perform a high-level review that might identify large abuses. Also, because a new time-keeping system with new controls was in the process of being obtained, we were directed to not spend significant time assessing the controls in the current system. We would recommend that once the new time-keeping system is in place, such an assessment be made.

**B. City issued Credit Cards**

It was directed that we examine City issued credit card usage and identify any questionable transactions, such as those occurring outside of expected parameters and/or on unusual days of the week or times.

We obtained a thorough understanding of the City's practices surrounding the use of City issued credit cards from interviews of Procurement personnel and City P-Card users, as well as documented City policies and procedures. To facilitate our examination, we were provided with a generic user login for the City's Bank of America P-Card website and we obtained data directly from the website or Bank of America's customer representative.

One of the data sets we obtained detailed all active and inactive cardholders, along with assigned credit limits. Another set of data we obtained detailed all P-Card activity/transactions occurring throughout the scope period for all cardholders. A third set of data detailed all purchase requisitions classified as open, closed, deleted, or awaiting approval during the scope period.

In strict accordance with our scope of work, we identified all transactions with a "Purchase Date" occurring on a weekend or a holiday. Though we identified numerous such transactions, our examination of supporting documentation found that for the majority of these transactions, the actual transaction date was, in fact, a weekday or non-holiday. For those where the transaction date did fall on a weekend or holiday, we examined original receipts and discussed the timing of these purchases with City Management. We found that the timing of those transactions was reasonable and appropriate.<sup>8</sup> Additionally, we found that all these transactions were properly validated and authorized within the P-Card system and the respective purchase requests were timely and properly approved.

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<sup>8</sup> In some instances, the timing of the purchase resulted from an emergency, such as inclement weather. In other instances, the Department making the purchase was open for business on a weekend and/or holiday.

We also manipulated the data to identify actual and/or apparent duplicate P-Card purchases. Upon examination of the original receipts associated with those identified, we found that the larger dollar transactions were one (1) purchase split into two (2) separate P-Card transactions, which violated and effectively circumvented the City's procurement policy requiring additional procedures (e.g. quotes) for purchases greater than twenty-five hundred dollars (\$2,500). Upon further examination, we determined these purchases were authorized, legitimate, and permitted by the City due to the nature of the transactions.<sup>9</sup> All duplicate P-Card transactions identified were examined and determined to be appropriate.

We also compared P-Card purchases with their respective purchase requisitions to identify transactions with variances between the amounts authorized and expended.<sup>10</sup> We judgmentally selected a sample of those with the largest variances and examined supporting documentation, including the original purchase requisitions, quotes, P-Card transactions, and purchase receipts. In all instances, we determined the original purchase requisitions were properly supported and approved and provided an adequate description of the requested goods and/or services. In most instances, the actual P-Card purchase corresponded with its respective purchase requisition in terms of the nature of the expense and the amount requested. Our examination of those P-Card purchases where there were discrepancies between the actual purchases and purchase requisitions found those purchases to be appropriate, reasonable, and authorized.<sup>11</sup>

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<sup>9</sup> For example, field trips were sole sourced and did not require additional quotes. Also, bulk fuel purchases were made on a routine basis and covered under a blanket purchase order. These purchases were consistently greater than the \$2,500 transaction limit on the credit cards, but the cardholders were authorized to split the transactions for convenience.

<sup>10</sup> This was not uncommon, as actual P-Card purchases (expenditures) were often different from quotes that requesters received from vendors to complete purchase requisitions. For example, a user may get a quote for auto repairs of \$1,000, but once the vehicle is examined and repaired, the actual cost may be much less. The primary concern was where a requester may get a quote significantly higher than the actual expenditure, which, if approved, would leave funds available on the user's P-Card that could potentially be used for unauthorized purchases.

<sup>11</sup> For example, we identified an instance where a P-Card user paid for vehicle repairs, but on a slightly later date also made multiple same day purchases of food items at a local store. We found that the purchase requisition was only for vehicle repairs in the amount of \$2,500 (the maximum amount permitted), but that the actual vehicle repairs ended up being much less, leaving a balance of funds still available on that user's P-Card. Upon further examination, we learned the food purchases were meals for City streets employees working during an emergency snowstorm. A new purchase request was not feasible under the circumstances, so the P-Card user was permitted to use funds remaining on the P-Card for this purpose.

**C. Cash**

We were directed to examine the processes around the handling of cash within Petersburg, as well as identify where cash first enters Petersburg's systems.

Because cash is accepted in so many places in the City and there was no record maintained by the City identifying all cash points of entry, it was not feasible for us to examine or identify all cash points of entry for the City. Accordingly, we were directed by City Management to focus on two (2) City Departments: Treasurer's Office and Parks & Leisure Services Department ("Parks Department").<sup>12</sup>

As of the time of this Report, there was only one official cash point of entry for the Parks Department, which was located at the Parks Department's office. Cash had been accepted at the Petersburg Generals baseball games, but that went away when the Generals did. The concession stand at the Parks Department's facility was operated by a vendor, who rented the space from the City.

Though there was only one cash point of entry for the Parks Department, there did not appear to be adequate controls to ensure that City employees did not accept cash for non-official activities. For example, it was feasible that the "stadium" venue could be used for an event without compensation to or even being known to the City. Cash could be paid by the event producers or users of the facility directly to someone with access to the venue.

It was also possible that Parks Department assets could be misappropriated and/or misused by City personnel. There was not a sufficiently detailed inventory of assets (i.e. tools, equipment, supplies, etc.) nor were controls otherwise in place to prevent or detect such possible misappropriations or misuse. For example, it was

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<sup>12</sup> Though we did not examine most areas of the City as it regarded cash collections/acceptance, our interviews indicated that controls concerning the collection of cash were generally weak and susceptible to abuse. The only location we examined that appeared to have reasonably strong controls was the Golf Course, which utilized a different system for accepting, recording, tracking, and reporting payments.

possible that a Parks Department vehicle, such as a large van or bus, could be used by a City employee for personal gain (e.g. rented out for transportation).<sup>13</sup>

City Management provided us with an investigative report dated January 31, 2009, prepared by external counsel at the direction of City Council. We were also provided a subsequent and related forensic auditor's report dated March 12, 2009. We were informed that during the due diligence process associated with the sale of the Petersburg Generals baseball team, concerns of possible misconduct by Parks Department personnel had been found and were subsequently investigated by external counsel at the direction of City Council. These reports (collectively hereafter referred to as the "Parks Reports") resulted from that internal investigation.<sup>14</sup>

Of significant concern to City Management in place at the time of our examination were allegations raised in the Parks Reports concerning possible misappropriations between 1999 and 2007 of more than two hundred thousand dollars (\$200,000) by a Parks Department employee who was still employed in the Parks Department. Also of concern was why the matter was not investigated by law enforcement. We were directed to examine (1) if there were indicia that the still employed Parks Department employee was involved in any continuing misconduct<sup>15</sup> and (2) to assess if this matter should have been investigated by law enforcement.<sup>16</sup>

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<sup>13</sup> These possible abuses are based upon interviews of Parks Department personnel, who stated they were not aware of any actual abuse(s). It was beyond the scope of our engagement to conduct a forensic audit that might identify all such actual abuses, if they exist(ed). Our interviews of these and other City employees indicated that these types of possible abuses were a systemic concern, applicable to most City Departments.

<sup>14</sup> Because the Parks Reports are voluminous, contain specific names, bank account numbers and other personal information (i.e. social security numbers, home addresses, etc.), and they were provided to City Council and City Management at the time of issuance and again recently, we have chosen not to attach them as an Addendum to this Report.

<sup>15</sup> It must be noted that these allegations were just that – allegations. They were never proven in a court of law and absolutely should not be viewed by the readers of this Report as to be anything more than unproven allegations.

<sup>16</sup> We were not asked to re-examine/re-investigate the matter.

According to the Parks Reports, the alleged scheme was wholly off the books and records of the City. The Parks Department employee at issue was alleged to have setup bank accounts in names similar to official City Parks Department names. Funds intended for the City were then deposited into those accounts and possibly used for personal expenses.

Because the alleged scheme was an “off-books” scheme, it was not possible for us to determine if that scheme had continued beyond the Parks Reports or was continuing. Such an examination would require access to data and records not in the custody of the City and otherwise not available to the City absent a legal or regulatory proceeding.

Based upon our understanding of the role of the Parks Department employee at issue and relevant internal controls in place throughout our scope period, we devised several possible schemes by which that person might misappropriate funds from the City which might be detected on the City’s books and records. We determined that the most significant possible scheme in terms of monetary value and ease for this individual would be the establishment of false vendors. We obtained and examined the vendors utilized by the Parks Department over the course of our scope period and found no indicia commonly associated with false vendors.<sup>17</sup> Subject to the limitations described, other relevant areas of our examination did not identify any indicia of continuing misconduct by the City employee at issue within our scope period.

We understood from City Management that this matter had been referred to law enforcement both before and after the Parks Reports. City Management believed the Commonwealth’s Attorney for the City had been presented information in late 2008, prior to the Parks Reports, and she had either declined to prosecute or recused herself. The matter was later referred to the Office of the

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<sup>17</sup> Additionally, similar with the techniques applied in our examination of Payroll and Accounts Payable as previously detailed in this Report, we looked for indicia of relationships between the person at issue and Parks Department vendors. We did not find any. It should be noted that another possible scheme would involve kickbacks from vendors. The information needed to identify indicia of a kickback scheme is mostly contained in records not in the City’s custody and/or not available to the City; therefore, we could not conduct such an examination.

Commonwealth's Attorney for Chesterfield County, who declined to prosecute, writing in a letter dated May 14, 2009: *"A second consideration is whether individual city employees should be prosecuted for criminal acts involving city funds. I have concluded that the evidence is insufficient to persuade a trier of fact beyond a reasonable doubt that the employees involved are guilty of crimes. Accordingly, I am declining to bring criminal charges."*

We are unaware of what information was provided to the Commonwealth's Attorney for Chesterfield County or when, nor do we know if they initiated any criminal investigation into the allegations which revealed information relevant to their decision. However, it would be reasonable to presume that the Office of the Chesterfield County Commonwealth's Attorney would have received the Parks Reports prior to their May 14, 2009 declination to prosecute.

In our experience, when a criminal complaint is made that includes reasonable facts and evidence that laws have been violated, a preliminary investigation is conducted to determine if a full criminal investigation is warranted. Though we do not know if that occurred or what was learned if it did occur, any preliminary investigation into the allegations in the Parks Reports would have necessarily had to occur between March 12, 2009 (the date of the forensic auditor's report) and May 14, 2009 (the date of the declination to prosecute letter).

Based only upon our study of the Parks Reports, it is our opinion that a criminal investigation was warranted.<sup>18</sup> The Parks Reports resulted from of an internal investigation conducted by qualified, reputable, and independent external lawyers, supported by a similarly qualified, reputable, and independent professional forensic accountant who is also a former FBI Agent. Overall, the Parks Reports conveyed a reasonable belief, arguably probable cause, that a crime had occurred.

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<sup>18</sup> Our team included a former FBI Agent who specialized during his nearly ten (10) year tenure in the FBI in fraud investigations. In that capacity, he routinely received and evaluated criminal fraud related complaints and made decisions about whether or not to pursue criminal investigations. We reiterate that the allegations in the Parks Reports are just allegations. An investigation could determine that those allegations are not correct and that no laws were violated. Our former FBI Agent's experience includes instances where the allegations in a complaint were persuasive, but the evidence developed in the course of the ensuing investigation provided alternative explanations, found the allegations to be incorrect, or no violation of law occurred, resulting in a declination to prosecute.

When informed of our opinion that a criminal investigation appeared warranted based on the Parks Reports, City Management directed us to make a complaint on the City's behalf with the FBI. Though we believed that the statute of limitations had expired, we met with a FBI Agent from the FBI's Richmond Office and shared the Parks Reports. After reading the Parks Reports, the FBI Agent agreed that it would have merited a criminal investigation; however, he also agreed the statute of limitations for the possible federal criminal violations applicable to the allegations had expired. Accordingly, he did not pursue the opening of a criminal investigation.

The Treasurer's Office serves as the central point where all cash collected by the various Departments of the City is sent for deposit. In addition to serving in this role, the Treasurer's Office also accepts cash directly, primarily from residents paying taxes, fines, permits, bills, and licenses.<sup>19</sup> Our examination of the controls around cash in the Treasurer's Office found that the controls over cash delivered to the Treasurer's Office from other Departments appears reasonable,<sup>20</sup> but controls surrounding cash collected directly by the Treasurer's Office are poor.

On June 5, 2017, a City Employee (hereafter "Employee A") reported to us that there had been a theft of petty cash from the Treasurer's Office that this employee had not shared with us when interviewed and which had happened again since that interview.<sup>21</sup> During the last half of 2016, Employee A had noticed the petty cash balance, which was supposed to be fifteen hundred dollars (\$1,500), had been steadily declining. Employee A believed that all six (6) employees of the Treasurer's Office, including the Treasurer, were aware of it, but when petty cash had declined to the point of a balance of approximately four hundred dollars (\$400), Employee A called a meeting of all who worked in the Treasurer's Office.

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<sup>19</sup> We have apprised City Management of a particular and significant area of concern that we have chosen to not detail in this Report. We will verbally share that concern with City Council, if requested.

<sup>20</sup> We did not assess the controls around cash collections within the Departments who delivered cash to the Treasurer's Office, only the controls in place associated with those deliveries.

<sup>21</sup> All of our interviews included questions about whether or not the person was aware of any fraud, thefts, or misconduct in any City Department, including their own. Employee A had not previously reported the petty cash thefts to us or anyone outside of the Treasurer's Office because he/she suspected the Treasurer had stolen the money and feared retaliation.

During that meeting, Employee A demanded the missing eleven hundred dollars (\$1,100) be returned and threatened to notify law enforcement if it was not.

A short number of days later, Employee A was called into the Treasurer's Office, where the Treasurer told Employee A that he did not know who took the petty cash, but because it was ultimately his responsibility, he was personally reimbursing the missing eleven hundred dollars (\$1,100). He then counted out that amount in front of Employee A in coin and dollar bills on his desk, replenishing the petty cash balance to fifteen hundred dollars (\$1,500). According to Employee A, the Treasurer did not report the missing funds to anyone, did not investigate who had taken the funds, and did not implement any remedial measures to prevent it from reoccurring.

Beginning again in early 2017, Employee A once again found the petty cash balance was declining. As of the end of May 2017, it was short approximately nine hundred and twenty-five dollars (\$925). On either June 1<sup>st</sup> or 2<sup>nd</sup> 2017, Employee A told all the employees in the Treasurer's Office, including the Treasurer, how short petty cash was and warned them that if it was not replenished by June 5, 2017, Employee A would either report it to the police or us, the forensic auditors. Because the shortage had not been replenished by that time, Employee A chose to report it to us.

Employee A advised us that all six (6) employees of the Treasurer's Office had access to and could steal petty cash. Although Employee A had no specific evidence of who stole the petty cash, Employee A believed it was the Treasurer.<sup>22</sup>

We reported this immediately to City Management, who directed us to examine the petty cash thefts. Because all six (6) employees of the Treasurer's Office had access to cash and there was no documentary, data, or video evidence, we conducted interviews of several employees in the Treasurer's Office. Each person interviewed was aware of the petty cash thefts and each suspected the Treasurer

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<sup>22</sup> The Treasurer was initially interviewed by us on May 1, 2017, at which time he did not report to us there had been a theft of petty cash when asked if he was aware of any fraud, theft, or misconduct in any Department of the City, including his Department.

was the most likely person to have stolen the cash. Each person also confirmed that after the first theft of petty cash in 2016, no investigation was made into the thefts and no remedial measures were implemented to prevent a recurrence.

From the City, we obtained and examined the emails retained in the Treasurer's official City email account for a one (1) year period. While we identified no emails associated with or relevant to the thefts of petty cash, we found emails indicating the Treasurer was having personal financial difficulties and may have been involved in other misconduct, specifically, the unauthorized waiving of penalties and interest on taxes and sharing non-public information with non-City employees. Our findings on this are addressed later in this Report in section "F. Tax Assessments, Tax Abatements, Tax Credits, and Tax Write-Off's."

On June 26, 2017, we interviewed the Treasurer about the petty cash thefts and other issues, including his waivers of tax penalties, interest, and principal. During that interview, the Treasurer admitted that he had stolen the petty cash. A redacted copy of our Memo from the June 26, 2017 interview with the Treasurer is attached as Attachment C.<sup>23</sup>

Immediately after the interview of the Treasurer, during the evening of June 26, 2017, we were provided by the City with unfettered access to the Treasurer's Office for purposes of conducting a petty cash audit and to determine if other City documents relevant to our findings regarding the Treasurer's unauthorized waiving of tax penalties, interest, and principal were available.

Our petty cash audit, conducted after work-hours on June 26, 2017, found the Treasurer's Office petty cash was short twelve hundred seventy-one dollars and forty-four cents (\$1,271.44).<sup>24</sup> The first shortage of petty cash totaled eleven hundred dollars (\$1,100), for a total in petty cash thefts of two thousand three hundred seventy-one dollars and forty-four cents (\$2,371.44).

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<sup>23</sup> The complete Memo of Interview was provided to City Management immediately upon completion. The copy attached to this Report is redacted to protect personal identifying information of City employees and/or residents.

<sup>24</sup> We were notified by Employee A in the late afternoon of July 5, 2017 that the petty cash balance had been "mysteriously" restored as of that date to fifteen hundred dollars (\$1,500).

**D. City Owned Checking Accounts.**

It was directed that we identify all Petersburg checking and investment/savings accounts and conduct additional examination of any identified accounts not known to Petersburg.<sup>25</sup>

We identified all banks located in and around the City of Petersburg. With and through City Management, we sent confirmation letters to ten (10) of the banks located in close proximity with the City's offices requesting confirmation of any accounts opened under the City's Employer Identification Number (EIN) or under the operating name of "City of Petersburg Treasurer." As of the date of this Report, we had only received a reply from one (1) of the ten (10) banks. This confirmation did not identify any unidentified City accounts at that bank. To date, we have not identified any bank accounts opened under the City's EIN or Treasurer's Office name that were not already known by the City.

From the Treasurer's Office, we obtained and examined a listing of all known bank accounts, two (2) of which we identified as associated with the Blandford Perpetual Care Fund ("BPCF"), which City Management directed us to examine further. According to the restrictions set forth in the establishment of the BPCF, it was a restricted fund and the monies accumulated in these two (2) bank accounts were to be used for routine upkeep and capital improvements for Blandford Cemetery.

We scheduled and analyzed all transactions occurring within our scope period for the two (2) BPCF accounts. We identified and further examined seven (7) wire transfers between September 12, 2013 and February 11, 2016 from the BPCF accounts to the City's General Fund operating bank account, totaling \$1,995,696. The Wire Request Form for each of these transfers included dates, amounts, and descriptions and each appeared properly approved by the authorized and

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<sup>25</sup> This area of examination overlapped to some extent with our examination of the "*Bank Reconciliation process and weaknesses*" (see Section IV. E. of this Report). The difference being that this part of the examination focused primarily on identifying any unknown City bank accounts and more closely examining the Blandford Perpetual Care Fund accounts.

appropriate City personnel, including the Director of Finance during the relevant time(s).

The description listed on the Wire Request Form for each transfer was “loan.” It appeared that four (4) of the seven (7) “loans” from the BPCF accounts to the City’s General Fund were fully repaid within a reasonable time; however, the other three (3) “loans” were not fully repaid.<sup>26</sup> The total amount of the BPCF “loans” repaid was \$1,470,696, leaving \$525,000 still outstanding as of May 31, 2017.<sup>27</sup> Under the restrictions associated with the BPCF, those funds should only be used for the stated trust purpose(s) and no other reason; therefore, in our opinion, these loans violate the permissible uses of BPCF funds. Because of the large amount of activity within the City’s General Fund, we could not specifically tie funds transferred from the BPCF to the City’s General Fund with specific uses.<sup>28</sup>

#### **E. Bank Reconciliations**

We were directed to examine Petersburg’s bank reconciliation process and identify any weaknesses in that process.

At the time of our examination, the City had thirty (30) bank accounts. Using a combination of our judgment and random sampling, we selected City bank accounts to perform bank reconciliations on, as well as which months would be subject to those reconciliations.<sup>29</sup> Using a combination of original bank documents and reports obtained directly from the City’s general ledger, we reconciled the balances reflected on the bank statements to balances recorded in the City’s general ledger for each City bank account and month selected.

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<sup>26</sup> The fact that four (4) of the transfers described as “loans” were repaid is indicative that these funds were, in fact, loans.

<sup>27</sup> Both accounts remained un-replenished as of the May 31, 2017 bank statements, which were the statements available to us when we conducted our examination of this area in June 2017. It is possible that these funds were replenished after our testing concluded, in June, July or August of 2017.

<sup>28</sup> A loan itself is, in our opinion, a violation of the BPCF’s permissible uses; however, we sought nonetheless to determine how the “loaned” funds were used. We were unable to determine whether the use of these funds from the City’s General Fund was consistent with the restrictions imposed upon BPCF funds by City Council. Though it is possible that they were used for routine upkeep and capital improvements for Blandford Cemetery, we believe that unlikely and, ultimately, irrelevant.

<sup>29</sup> We ensured that our sample covered the entire period under our scope period and was, therefore, representative of the City’s normal bank reconciliation processes.

Among the City bank accounts selected was the City's General Fund bank account. For this account, we selected and performed bank reconciliations for the months of October 2014, July 2015, and May 2016. For outgoing checks, the City utilized "Positive Pay" with this account, which requires the City send a listing of authorized checks directly to the bank upon completion of each check run. The bank uses this listing to ensure that only checks listed therein will be paid and includes in its bank statements for that account a listing of all checks that have not yet cleared as of the end of the bank statement period.

For our reconciliation of deposits, we obtained summary schedules of the City's daily deposits from the Treasurer's office and reconciled deposits listed on the summary schedules with the detailed deposit listing on the bank statements. We also obtained a report of outstanding deposits and tested this report for completeness.

During our reconciliations of the City's General Fund bank account, we identified one (1) clerical error of one thousand dollars (\$1,000), which we determined to be immaterial to the overall balance. We also calculated an Adjusted Bank Balance and reconciled it with the City's Book Balance. This reconciliation included typical minor adjustments for bank service fees, as well as any ACH transactions received later in the month which had not yet been recorded. We also compared the Adjusted Book Balance to the Adjusted Bank Balance and found no discrepancies.

For the City's General Fund bank account, we found that the City's listing of outstanding checks was significant and grew over the various periods we tested. As of our May 2016 bank reconciliation, outstanding checks included on the Outstanding Settlement Report totaled \$9,155,905. Further examination determined that this was due to a large number of outstanding checks that had

been printed by the City, but were never mailed. City Management was aware of and had already addressed this issue, so no additional examination was directed.<sup>30</sup>

Two (2) other accounts we performed bank reconciliations on were the Special Welfare and McKenney Memorial #1 bank accounts. We performed similar procedures as those detailed above for the City's General Fund bank account for both accounts. For the Special Welfare account, we selected the months of July 2013, May 2015, and September 2015; for the McKenney Memorial account, we selected the months of August 2013, October 2014, and December 2015.

We were informed that because these bank accounts are far smaller and have significantly less check transactions than the City's General Fund bank account, "Positive Pay" is not utilized. We compared the listing of checks and deposits cleared on the bank statements to the City's check registers and deposit summaries to identify outstanding checks and deposits. After completing our reconciliations, we compared the adjusted balances to that of the City's and did not identify any discrepancies requiring additional examination.

Concerning the bank reconciliation process in general, they were being performed by an employee of the Treasurer's Office and appeared to be primarily done for purposes of creating journal entries for City transactions. They were not performed or reported properly.<sup>31</sup>

We also found the person performing the bank reconciliations was doing so on top of an already very full work-load, such that an adequate amount of time may not have been available to ensure that bank reconciliations were getting the appropriate level of attention to detail normally required. This may have contributed to the time between month-end and when the reconciliations were being performed being, in some instances, more than a month after the bank's

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<sup>30</sup> Our understanding is that the Robert Bobb Group, shortly after being engaged by the City, had found a large number of City checks in a file that had not been mailed and had taken actions to correct it, including voiding of checks and re-payments, where appropriate.

<sup>31</sup> We provide recommendations about how to change/improve the City's bank reconciliations in the Recommendations section of this Report.

issuance of the monthly statement.<sup>32</sup> It could also be indicative of the bank reconciliations being “rushed” and not receiving adequate attention to detail.

**F. Tax Assessments, Tax Abatements, Tax Credits, and Tax Write-Offs**

We were directed to examine the appropriateness of Petersburg’s tax assessments, tax abatements, tax credits, and tax write-offs provided to individuals for all taxes. We were also asked to try to determine whether the individuals with authority for these transactions were exercising that authority consistently and in the best interests of Petersburg.

We interviewed and had subsequent discussions with various City officials, including, among others, the Commissioner of Revenue, City Treasurer, and the City Assessor’s Office, to ascertain and understand their duties, roles, and responsibilities and learn about inputs and controls surrounding the assessment of various types of taxes levied by the City. We also examined any relevant documents, policies, and/or procedures.

We performed detailed testing on a variety of different aspects of the tax revenue transaction cycle. This testing included an analysis of various Tax Abatements and supplements, recalculation of total tax revenues being levied, and an analysis of the changes in assessed values from year to year.

The effect of staffing levels and turnover on the ability of the City Assessor’s Office to effectively fulfil its responsibilities was immediately apparent. As of the date of our examination of the City Assessor’s Office, the City Assessor had left, so the City Assessor’s Office did not have a City Assessor and no other employees aside from one (a “Clerk”), who was performing all the functions of that Office.<sup>33</sup> Because tax assessments are a core and foundational part of the City’s budget, problems that arise in this area can be compounded as they

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<sup>32</sup> Although this is not too significant an amount of time given the number, size, and complexity of the reconciliations, they should be completed as quickly as possible.

<sup>33</sup> Although there has been publicity about the Treasurer’s Office being significantly understaffed, it did not appear significant to us. While that Office would greatly benefit from the addition of one or two persons, better utilization of existing staff would also have a significant impact on its ability to more effectively perform its functions.

progress through the Real Estate Tax Revenue transaction cycle and other areas of the City.

The Real Estate Tax Revenue transaction cycle begins with information for new ownership properties being input into the City's software based on a form completed by the City Assessor or one of the appraisers. The City Assessor is responsible for all commercial properties, while appraisers are responsible for residential properties. Appraisers are assigned specific sections of the City and perform "ride arounds" looking for new construction. Additionally, the Code & Compliance Office is required to send new building permits to the Assessor's office to identify new taxable improvements being made to properties throughout the City. For commercial properties, Income and Expense Reports are completed by business owners and reviewed by the City Assessor.

These procedures may provide reasonable assurance over the capturing of taxes associated with new improvements being made throughout the City; however, they do not appear to consider changes in market values associated with existing, unchanged properties. The most recent city-wide assessment was performed approximately eight (8) years ago, around 2009. According to the U.S. National Bureau of Economic Research, the "Great Recession" ended in June of 2009, which implies that values on City properties may have materially and positively changed since the City's 2009 assessment. According to Management's Discussion and Analysis (MD&A) of the City's 2016 Comprehensive Annual Financial Report (CAFR), real estate taxes accounted for approximately one third (1/3) of the City's Governmental Activities revenues, which compounds the impact over time that these valuation fluctuations might have had on the City's operations, including budgeting.

Concerning tax abatements, the Commissioner of Revenue is the only individual authorized and allowed to abate taxes. There are many permissible reasons why the Commissioner of Revenue may abate taxes. When the Commissioner of Revenue abates a tax, the abatement is identified in the City's system by a unique

transaction code (“ABA”) that can later be queried and reported out of the system. Supporting documentation for abatements are also required.

We ran a query of all abatements during our scope period, including Real Estate and Personal Property taxes, and compared the names of taxpayers who received abatements with the names of City employees and/or relatives where those City employees might reasonably have an ability to override system controls. We also looked for abatements that appeared duplicative in nature based on a taxpayer’s name and the dollar amount abated. We did not identify any questionable transactions from either of these examinations.

We identified twelve (12) real estate and/or personal property tax abatements over one hundred thousand dollars (\$100,000) during our scope period. For each, we examined the supporting documentation and tied the agreed dates, amounts, and descriptions with that reflected in the system. Additionally, we assessed the reasonableness of each abatement based on our understanding of the permissible reasons for abatements. These procedures did not identify any questionable transactions requiring additional examination.<sup>34</sup>

We also performed a recalculation of the City’s tax revenues based on the assessed values and stated tax rates for each fiscal year under our scope period. For each year, we obtained the total assessed value for each type of tax levied by the City. We then multiplied these amounts by the City’s stated tax rate for each of these years and traced this amount to the City’s original budgeted revenue posting for each type of tax. Next, we adjusted this gross tax revenue amount for tax abatements and supplements and agreed this amount to the City’s general ledger posting for each type of revenue. For each fiscal year under our scope period, we recalculated this portion of the City’s budgeted revenue and actual revenue to within an acceptable and reasonable amount.

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<sup>34</sup> The procedures described above were performed only over the population of items coded in the City’s system with a transaction type of “ABA.” Not included in this were apparently unauthorized “abatements” done by the City Treasurer, as described later in this section. Those “abatements” were done in such manner as to avoid detection and were not part of the “ABA” coded transactions comprising this population of abatements.

We attempted to perform an analysis of the changes in the Assessed Taxable Values, which required that we be provided with the Land Books, in electronic format, for each tax year included in our scope period. The Land Books detail, by individual Parcel ID, the taxpayer(s) associated with that parcel, the value of the land, as well as the value of any improvements thereon. Due to limitations in the Bright/BAI system used by the City, we were only able to obtain an electronic version of the Land Book for the most recent tax year (2016). We were informed by the City's IT Department that the City's Land Books for the other years were available only in paper form and that no electronic versions were maintained or could be created or obtained. As a result, we could not complete this analysis.<sup>35</sup>

As noted above in Section "E. Cash" of this Report, during our examination of the theft of petty cash in the Treasurer's Office we obtained and examined the emails retained in the Treasurer's official City email account for a one (1) year period. Our review of those emails found several indicating the Treasurer was having personal financial difficulties and may have been involved in other misconduct, specifically: (1) unauthorized waiving of penalties and interest on real estate and personal property taxes and (2) sharing non-public information with non-City employees.

Regarding the Treasurer's waiving of tax penalties, interest and principal, we found an email dated June 15, 2016 in which the Treasurer wrote to a City taxpayer: *"Sending this information to the media, could cost me my job, since the removal of penalties and interest are not allowed by my office in the Code of Virginia."*

In an email dated March 19, 2017, the Treasurer wrote to a City taxpayer: *"I will get to you and don't forget I waived penalty and interest for you behind, which I didn't have to do and could get in serious trouble, if anyone found out"*.

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<sup>35</sup> Because this was a "comparative test," we did not have an ability to compare the relevant data from the 2016 Land Book with those from prior years electronically. A physical comparison was not feasible. We recommend that the City begin saving this report in electronic format as soon as the amounts become finalized by the Commissioner of Revenue.

In an email dated April 18, 2017, the Treasurer wrote to a City taxpayer: *“I will waive the fees and hope I don’t lose my job. You need to send the payment directly to me.”*

During his June 26, 2017 interview, the Treasurer admitted he had waived tax penalties and interest on many occasions and that he thought doing so was in violation of the *Code of Virginia*. The Treasurer denied that he had been compensated in any way for these actions or that he had misappropriated any funds associated with these waivers.

Our examination determined the Treasurer was one of two (2) primary people in the Treasurer’s Office who routinely processed cash tax payments. We also found that he could waive tax penalties and interest in two ways that concealed the actions completely. First, he could simply delete the relevant fields in the Bright system. Second, he could “backdate” the computer input screen to a date prior to the assessment and calculation of tax penalties and interest. In either case, the City’s system does not capture those actions, nor does it leave a trail that is simple to reconstruct.<sup>36</sup> Also, though the Treasurer stated he did not steal any funds associated with these waivers, it is possible that he could have collected the full amount of the tax payment from City taxpayers in cash, then processed all but the penalties and interest and kept the difference.

We also identified a third method by which the Treasurer waived not just penalties and interest, but entire tax principal amounts, effectively abating those taxes. This method leaves a trail, but not one that would be likely to catch anyone’s attention. The March 19, 2017 email quoted in part above was associated with this methodology. Our examination of that taxpayer’s records found that the Treasurer had entered negative amounts in the taxpayer’s account for two properties owned by the taxpayer for the entire real estate tax amounts due

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<sup>36</sup> According to BAI, such actions may be captured deep within the underlying data in the system, but finding and examining it would be highly burdensome. Queries of such transactions have been requested, but were not provided to us as of the date of this Report.

(inclusive of principal) totaling one thousand two hundred twenty-one dollars and six cents (\$1,221.06).<sup>37</sup>

This third method is not only concerning because it is effectively an unauthorized abatement of taxes, but also because such transactions would generally be of higher dollar amounts than penalty and interest waivers, such that if the taxpayer paid the Treasurer with cash, larger amounts of cash could be misappropriated and the likelihood of it being discovered would be minimal.

At the direction of City Management, we were asked to file a complaint on behalf of the City with the FBI regarding our findings in the Treasurer's Office and to assist them as requested. We were directed not to continue our examination into possible misappropriations associated with the tax waivers due to such a project being extraordinarily burdensome and costly.<sup>38</sup>

Though we found no indications of it, we also shared with City Management our concern that the Treasurer had the authority to open bank accounts using the City's name that could then possibly be used to misappropriate funds. As previously detailed in this Report, we drafted bank confirmation letters, sent by the City to ten (10) banks, including those not normally used by the City, to determine if any such unauthorized City accounts exist.<sup>39</sup>

Our review of the City Treasurer's official City emails also determined the City Treasurer was compensated as an Uber driver<sup>40</sup> throughout 2016 and continuing in 2017.<sup>41</sup> We understand the City allows "moon-lighting," subject to review and approval; however, because the City Treasurer is an elected position, it was not

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<sup>37</sup> A work-paper reflecting these transactions is contained in Attachment E to the Interview Memo of the Treasurer (Attachment C of this Report).

<sup>38</sup> City Management had confidence that if such a tax waiver scheme had been occurring, the FBI, if they chose to investigate it, would be able to uncover and quantify it.

<sup>39</sup> As also previously noted, only one (1) of the ten (10) banks had responded as of the date of this Report to the confirmation letters.

<sup>40</sup> There did not appear to be any obvious attempts by the City Treasurer to conceal that he was an Uber driver. An Uber placard was visible in his personal vehicle, which he drove to work daily, though he did not park it in his official reserved City Treasurer parking spot located behind City Hall. Also, people we interviewed were aware of the Treasurer's Uber driving.

<sup>41</sup> Documents found in the City Treasurer's official City email account indicated the Treasurer had earned just over \$7,000 from Uber in 2016 associated with his driving Uber customers a total of just over 4,000 miles.

clear whether this would apply to that role or not. The extent to which the City Treasurer's Uber driving may have affected his ability to effectively do his job could not be determined.

We also found the City Treasurer's spouse had purchased several properties from the City through public tax auctions. While the tax auction process is a public process and seemed to have adequate oversight and safeguards against certain abuses, such purchases by the Treasurer's spouse can create negative ethical tone perceptions (e.g. conflicts of interest) among City employees.<sup>42</sup>

### **G. Fuel**

It was directed that we examine fuel usage of Petersburg employees and identify questionable transactions, including possible non-authorized usage.

We obtained and examined a report taken directly from the City's fuel card system that detailed the date, driver name, vehicle ID, odometer reading(s), pump used, fuel price, fuel quantity, and total cost for each individual fueling transaction between December 16, 2016 and May 31, 2017. We determined the data in this report was unreliable, which greatly impaired an effective and thorough analysis in accordance with our scope.<sup>43</sup>

Despite our concerns about the accuracy and reliability of the fuel data, we calculated the total number of transactions, total gallons used, total dollars spent, average price per gallon and average gallons per transaction for each driver. Among other things, this identified drivers with an unusually high number of transactions or high number of gallons per transaction.

We identified many individuals who, based on the number of fueling transactions, averaged more than one transaction per day. We determined that these persons were employees of the Petersburg Area Transit Department, the Police Department, Public Works, or otherwise those whose job responsibilities

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<sup>42</sup> We believe that a robust and effective Conflicts of Interest Policy (which does not exist in the City as of the time of this Report) should, to the extent allowable by law, prohibit activities such as this.

<sup>43</sup> A significant amount of relevant information was missing from the report, as well as obvious user entry errors. For example, the odometer reading for one vehicle went from 31,825 to 334,858 in only six days.

appeared to support their usage of higher levels of fuel. Our examination of the metrics associated with the transactions for these persons also found them to be consistent with the rest of the population.

We also identified the use of non-specific (generic) driver names within the data. Of the four-hundred and fifty-two (452) individual drivers listed in the report, thirty-nine (39) were not the names of specific employees (e.g. "Jesse's Tractor Key" and "2001 Chevrolet Van"). For these, we were unable to associate the fuel usage for those transactions with any specific employee. These accounted for approximately sixty-four thousand dollars (\$64,000) of the City's total fuel cost incurred between December 16, 2016 and May 31, 2017 (roughly three percent (3%)).

Additionally, we found a lack of consistency in naming conventions for drivers (e.g. John Smith versus Jon Smith). This resulted in sixty-one (61) instances where we were unable to identify a driver's assigned City Department. The fuel usage of these employees accounted for approximately two hundred and one thousand dollars (\$201,000), or roughly ten percent (10%), of the City's total fuels costs between December 16, 2016 and May 31, 2017.

To further identify questionable transactions, we calculated and compared estimated total miles per gallon (mpg) with the number of days between fueling based upon the vehicle ID. This resulted in a very large number of questionable transactions, which appeared to result from data input errors in, among other data reported, the odometer field. Due to the prevalence of these errors, we were unable to narrow our results to a workable data set for further examination.<sup>44</sup>

For comparative purposes, we attempted to obtain high-level fuel usage information from other localities in Virginia of similar size and structure to Petersburg; however, for those localities that generally matched Petersburg, such data was not maintained or could otherwise not be obtained.

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<sup>44</sup> Our examination also found that there was insufficient supporting documentation available for these transactions. For example, not all vehicles maintained logs or other documentation sufficient for an effective examination. As a result, it was agreed by the City that we discontinue any additional testing over these transactions.

## H. Water and Waste Water Billing and Collections

Our scope included an examination of water and waste water billings and collections, including the appropriateness of credits, waivers, and payment plans provided to individuals. We were also asked to try to determine whether the individuals with authority for these transactions were exercising that authority consistently and in the best interests of Petersburg.

We were directed by City Management to examine the facts and circumstances surrounding the procurement process, award, and implementation of a Water Meter Replacement Contract, including *“(If the individuals who had the authority to approve these decisions were performing within the best interest of the City and with consistency.”* Additionally, we were directed to search for possible indicia of misconduct, fraud, waste or abuse in the procurement process and within the actual work performed as part of that contract.

Our examination included the review of thousands of pages of documents, including, but not limited to, the relevant procurement file, contract, contract modifications, and the City emails, during the relevant time frame, of one of the City’s leaders responsible for the project.<sup>45</sup> We also interviewed persons who were believed to have knowledge of and/or were known to be involved in this project.<sup>46</sup>

It could not be determined from the information available to us who first had the notion of replacing water meters in the City or when, but it appears to have been in the mind(s) of City persons prior to at least April 2, 2012. It was on this date that the then City Manager emailed the Director<sup>47</sup> and an employee in the Public

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<sup>45</sup> The emails of this former employee, when filtered to identify those of relevance and read in chronological order from earliest to latest, provided an excellent “narrative” of significant events and issues associated with this project as they unfolded. Because we did not find any indicia of misconduct based on our review of the abovementioned documents or through our interviews, we were directed not to obtain and review City emails of other former City employees, which could possibly contain relevant and/or material information that could affect our findings.

<sup>46</sup> As was detailed in the Limitations section of this Report above, most of the key City employees involved in this project were no longer employed by the City or were otherwise not available for interviews. As a result, our ability to conduct a complete examination was significantly hampered. It is possible that those persons could provide information that could materially affect our findings and opinions.

<sup>47</sup> This Director of Public Works and Utilities was hired by the City on February 28, 2012.

Works and Utilities Department (“Public Works”) asking when a RFP associated with water meters would be issued.

An initial “Request for Qualifications” (RFQ), numbered RFP P12-0024 and titled “Request for Qualifications for a System-Wide Performance Contracting Water Meter Improvement Program” was substantially drafted as of April 3, 2012, with an intended issue date of April 16, 2012. On that same date, April 3, 2012, was the first mention of Johnson Controls Inc. (JCI), who ultimately won the work, among the documents that we reviewed. Internal City emails suggest the RFQ/RFP would, in addition to being publicly advertised, be sent directly to prospective vendors and the Assistant Purchasing Agent for the City sought input on whom to send it to. It appears that in response to the Assistant Purchasing Agent’s request for names of prospective vendors, someone had provided JCI’s name.<sup>48</sup>

On May 21, 2012, the Interim Superintendent of the Utilities Line Division emailed the Director of Public Works asking to setup interviews of JCI and Siemens for the week of May 28, 2012. It appears that a meeting took place with Siemens on June 1, 2012 and with JCI sometime that same day or between then and June 8, 2012.<sup>49</sup> Each provided to the City additional/supplemental information by email that appeared to have been requested as a result of those meetings.

On June 21, 2012, Siemens emailed the Director of Public Works asking the status of the City’s procurement decision, to which the Director replied that they were still reviewing proposals and had not contacted any references yet.

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<sup>48</sup> Unable to find contact information for JCI, the Assistant Purchasing Agent emailed the Director of Public Works on April 3, 2012 asking for it. On April 6, 2012, the Director of Public Works replied by email that he could not find it and deferred to a subordinate, the then Interim Superintendent of the Utilities Line Division, who provided the contact information for a JCI employee by email on April 9, 2012.

<sup>49</sup> During this time, the Procurement process was less formalized than it is presently, such that there was far less documentation regarding this RFQ/RFP than the subsequent “water meter” RFP that was ultimately used to select the vendor for the project.

On June 22, 2012, Siemens emailed the Director of Public Works asking if they could arrange a meeting between Siemens' lead water billing person and the City's water billing person, writing, in part: *"Billing is where most problems can arise and we have a solid and elegant solution to prevent that."*

The Director of Public Works forwarded that email the same day (June 22, 2012) to the Interim Superintendent of the Utilities Line Division, who replied, in part: *"What is the deal with seimens? They were told 6/21/12 that we had decided to start negotiations with Johnson Controls, so they decided to do an end around? Not a good way to do business."*

Between July 2012 and September 2012, it appears that several meetings took place between City Public Works personnel and JCI to negotiate and plan the project, including the topic of financing it; however, the City hired a new Purchasing Director on September 10, 2012, who implemented new procurement practices and ultimately canceled RFP P12-0024 on October 12, 2012.

On October 17, 2012, the City issued RFP P13-0012, entitled "System-Wide Performance Contracting Water Meter Improvement Program." The RFP was slightly amended/modified (e.g. changes of due dates on Proposals) on October 24, 2012, October 31, 2012 and November 7, 2012. The procurement process was now more formalized and documented and appeared to have been applied throughout this procurement.

The procurement file reflected the forming of a group of persons (a procurement committee) to work on this procurement, who appeared to have had multiple discussions about the process and the project.<sup>50</sup>

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<sup>50</sup> The City employees on this procurement committee were all from Public Works and included the Interim Superintendent of the Utilities Line Division, who was highly involved in the prior RFQ/RFP that was issued for this work. As noted, that procurement committee had selected to move forward with JCI prior to the cancellation of that RFQ/RFP. The extent to which those persons' prior role may have affected their objectivity and judgment on this RFP cannot be weighed. In an abundance of caution, this procurement committee probably should have utilized persons not involved in the prior RFQ/RFP and included some persons outside of Public Works. We understand that procurement practices have changed since this time and procurement committees are now comprised of City employees from varied Departments.

The procurement file reflects that by November 16, 2012, four (4) proposals were received, including proposals from JCI and Siemens. All the proposals were professional and thorough and each vendor appeared qualified for this type of work.<sup>51</sup> The proposals were sent to the procurement committee members on November 27, 2012. They were reviewed and scored by the procurement committee members using a standardized template which included areas for narrative explanations related to each committee member's scoring for each section. According to a "Proposal Scoring Worksheet" dated January 4, 2013, JCI had a cumulative score of 246 and Siemens scored 227. The other two vendors scored 118 and 70.

Included in the procurement file was a "Statement of Understanding" that each member of this procurement committee signed on January 4, 2013. Section D of this document read as follows:

*"During and after the procurement process, I will not accept lodging, transportation, money or anything else of value from any employee or officer of the firm which is expected to or did respond to the Request for Proposals."*

The words in the first line, "and after," were struck through on the Statement of Understanding signed by each member of the procurement committee.

The procurement committee chose to move forward with JCI and Siemens and additional information was requested and exchanged with each vendor in accordance with the procurement practices in place at that time. On February 6, 2013, the City received updated proposals from JCI and Siemens, whose proposed costs were: JCI for \$4,314,515 (inclusive of a \$300,000 allowance) and Siemens for \$7,752,570.

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<sup>51</sup> In our review of the Siemens' proposal, we noted that the integration of the water meters with water billing was highlighted as a significant issue that could create large problems in these types of projects.

On February 13, 2013, representatives of JCI and Siemens were interviewed in person by the procurement committee in Petersburg. It appears that one additional person from Public Works, who did not appear to be officially on this procurement committee, participated in those interviews. On February 20, 2013, JCI and Siemens were requested to provide best and final offers by February 25, 2013, which they did, reflecting costs for JCI of \$4,898,403 (inclusive of a \$300,000 allowance) and for Siemens of \$6,447,110.

On February 26, 2013, the City issued a Notice of Intent to Award for this RFP to JCI. On October 28, 2013, a contract was executed for this project with JCI in the amount of \$4,989,403 for installation and \$390,272 for the performance period. That contract was modified on January 22, 2014 for purposes of extending time and again modified on May 19, 2015 to add \$300,000 to the contract amount.<sup>52</sup>

There were approximately nine (9) months between the Notice of Intent to Award and the execution date of the contract. Our examination determined that this was primarily due to negotiations on the wording and content of the contract, including finding funding/financing for the project. The contract, as might be expected for such a large and technical project, is highly complex. Aside from the common delays associated with both the internal and legal reviews of such lengthy contracts, a large amount of technical City data had to be gathered and assessed by JCI for inclusion in the contract. During this time, a large amount of planning and preparation appeared to be occurring as well, with teams from JCI meeting with teams from the City, particularly Public Works, as well as making presentations about the project to City Council, City Management, and the public-at-large.<sup>53</sup>

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<sup>52</sup> The request for the additional funds arose in November 2014 and was for the furnishing, installation, and integration with the electronic system(s) of eight hundred (800) additional water meters.

<sup>53</sup> The contract reflects that this was a massive and complex project, likely more so than any other projects ever undertaken by the City personnel involved in it. This complexity may not have been fully appreciated at the onset, which may have contributed to unrealistic expectations about timing and ultimately to the delays in moving from Notice of Intent to Contract Date to actual start of work.

The first water meter was installed on April 16, 2014 and installation continued in earnest from that point, with JCI providing daily and weekly reports to the City of its progress. Various issues appear to have occurred throughout this process causing complications and delays. It appeared that among the largest of those issues was the inaccuracy and/or incomplete availability of information provided by Public Works, such as water meter number and sizes, locations, and customers.<sup>54</sup> Another significant issue also arose in April/May 2015, when it was learned of a possible manufacturing defect in communication modules (Model 100W pit ERT) that were part of nearly all the water meters that JCI had already installed.<sup>55</sup>

Though installation of the water meters began in April 2014, it did not appear that work associated with the integration of water billing data with the new meters occurred until much later in 2014. While we could not determine specifically when the billing aspect of the project began, information indicated that it could have been as late as August 2014. The Director of Public Works and others involved in leading the project for the City had been warned that integration with the water billing system was where the most problems tended to occur.<sup>56</sup> And that appeared to be true.

Integrating the City's water billing system with the new meters was plagued by data issues. They included, among others, tying customer accounts to water meters, size of water meters, and how water was measured (e.g. gallons versus cubic feet). These issues appeared to result from poor data maintained by Public Works, as well as outdated technology in place at the City. It was further

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<sup>54</sup> Our review of documents, particularly emails, indicated that Public Works had not maintained very accurate records. For example, for many locations Public Works' records reflected either a larger or smaller sized water meter at a location than was there. It appeared also that Public Works may not have identified the whole number of locations requiring the new water meters, which ultimately led to a change order in May 2015 to install an additional eight hundred (800) meters.

<sup>55</sup> These were covered under a manufacturer's warranty; however, it required the acquisition of 11,500 new ERTs which then had to be installed after the potentially defective ERTs were removed. It did not appear the already installed ERTs had failed, thereby affecting the readings of the meters already installed, rather that this was a proactive measure to avoid a large possible failure in the future.

<sup>56</sup> As previously noted in this Report, Siemens had brought this to the attention of several Public Works officials, including the Director of Public Works, both in its proposal and by email.

exacerbated by turnover and/or changes in City personnel and slow response times to JCI requests for information.<sup>57</sup>

Overall, our examination found that this project appeared to have been poorly planned and managed by Public Works. In addition to those issues already noted, turnover of City personnel highly involved in the project created problems. Also, it did not appear that Petersburg had assigned and maintained a dedicated “Project Manager” with sufficient experience to manage such a large and complex project. Conversely, JCI maintained a Project Manager through whom all communications appeared to flow and who appeared both proactive and responsive to issues. When a concern was raised, JCI appeared to address it quickly, reasonably, and thoroughly, including when those issues involved its subcontractors.

It also appeared that some Public Works employees had relationships with JCI employees working on the project that would ordinarily violate a “Conflict of Interest” and/or “Gifts and Gratuities” policy. We found numerous communications between City Public Works personnel and JCI employees and/or its subcontractor personnel indicating that those Public Works personnel were being treated to, among other things, meals, golf outings, and conference attendances. Also, one former Public Works employee who was involved in the project may have sought employment from JCI after separation from the City.

As previously noted, the Statement of Understanding each member of the procurement committee for this project signed on January 4, 2013 had struck words from that document that would have made most, if not all these activities a violation of the Statement of Understanding. To the extent the City had relevant policies regarding such behavior, such as a Gifts and Gratuities and/or Conflict of Interest policy, they did not appear to be known or readily available to City employees in general. In our experience, these activities would normally have violated such policies in governmental entities.

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<sup>57</sup> Regarding changes in personnel, key City Water Billing persons were reassigned during this project, such that all institutional knowledge was lost and additional time and training was necessary to bring replacements up to speed. Also, we saw in email exchanges instances where JCI requested information, but City personnel took weeks or longer to respond, even when multiple reminders of the requests were sent to them.

Although our scope of work envisioned additional testing of water billing during the scope period as part of this examination, the unreliability of water billing data during the scope period was not conducive to an effective or efficient examination. Accordingly, we were directed by City Management not to conduct this testing.

**V. ADDITIONAL COMMENTARY ON THE PERCEPTION OF ETHICAL TONE<sup>58</sup>**

In our Executive Summary, we explained the effect of and role that employee perception(s) about ethical tone plays in the “Rationalization” component of the Fraud Triangle. Though we did not conduct a formal ethical tone assessment of the City, relevant aspects of such an assessment are part and parcel to any forensic audit and were therefore inherent throughout aspects of our examination, particularly in our interactions/discussions with and/or interviews of City employees.

Though not specifically requested or required in our scope of work, we believe that what we have learned during our examination about the perception of ethical tone by City employees is of such relevance that it compels us to bring it to City Council’s attention.

To reiterate what we wrote in our Executive Summary, the “Rationalization” component of the Fraud Triangle concerns an employee’s ability to internally justify wrongful actions. This is often affected not only by a person’s individual moral compass, but also by the ethical tone within an organization, as well as employee perceptions about the fairness and equality of rewards and punishments for actions and behavior.

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<sup>58</sup> It is not our intent to imply that current or previous City Council Members or those serving in City management or leadership roles is or was unethical or contributed to or caused City employees to hold negative perceptions about ethical tone in the City. Our commentary and recommendation(s) on this subject are purely intended to bring this perception to the attention of City Council and City Management.

Nearly all our interactions and discussions with City employees, as well as information shared with us during our interviews, indicated that the perception of ethical tone in Petersburg is perceived to be negative. By “negative,” we mean that perceptions about ethical tone were found to be supportive and/or conducive to bad ethical conduct. Most of those with whom we interacted, had discussions with, or interviewed, reported a plethora of historical and sometimes widely-known and or publicized allegations of misconduct by City Officials, Management, and/or employees which facilitated this perception, including, but not limited to:

- Misappropriations of fuel
- Falsification of overtime hours and/or vacation/sick leave abuse
- Misappropriation of assets
  - Old water meters
  - Tools & Equipment
  - Cash
  - Police evidence
- Use of City property for personal gain
  - Grass cutting using City equipment
  - Vehicles for personal travel and/or non-City business
  - Accepting cash to use City assets while on City time to provide work for City residents (e.g. driveway repairs)
- Excessive and/or lavish gifts and gratuities from vendors and/or Conflict of Interest
- Hiring, promoting and/or rewarding of persons, including particularly those in leadership roles, whose reputation(s) include allegations of misconduct and/or questionable ethical actions
- Employment of persons related to those in Management and/or under their supervision
- Threat of violence by a former City leader

These examples are intended only to illustrate the breadth and types of actual or perceived misconduct learned by City employees over the course of many years, which affect their perceptions about ethical tone and culture in the City. In some instances, the alleged misconduct was publicly known (i.e. old water meter thefts, cash stolen in Transit Department, evidence missing from Police, bomb threat by former City leader, etc.), where in others, it was reported as systemic (“everyone knows”), but not specific to any City employee (i.e. time-keeping abuses, fuel misappropriations, unauthorized and/or misuse of City equipment, etc.).

Ethical tone starts with an organization’s leadership and flows down through an organization’s ranks. Those persons at the highest levels of an organization must not only require positive ethical tone in words formally (e.g. policies) and informally (communications and conversations), but also by example and action, both in their professional and personal lives.

We have come to conclude that City employees’ perceptions about ethical tone over the course of time has led to a perception of a “culture of corruption” that must be corrected for the City to move forward in effectively preventing and detecting misconduct, fraud, waste and abuse. To be successful, this requires immediate and significant attention and nurturing by City leadership.<sup>59</sup>

Associated also with ethical tone is the perception of retaliation. Retaliation against employees who report ethical concerns or misconduct is a direct reflection of an organization’s ethical tone. Almost universally, those with whom we interacted, had discussions with, or interviewed felt they would be retaliated against if they reported ethical concerns or misconduct.

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<sup>59</sup> By analogy, think of ethical tone in terms of a new-born sea turtle and a lion cub. When sea turtles hatch, they have no one to nurture, guide, and protect them and, left to their own devices and guided by instinct alone, most do not survive. On the contrary, lion cubs are nurtured, guided, and protected by the entire pride, helping ensure the lion cubs effectively survive, learn, and grow to not just be contributing members of the pride, but to one day assume the leadership roles and guide lion cubs that follow to repeat and fulfil the cycle.

We encourage City Council and City Management to actively reflect on how it can more positively impact ethical tone. Like an air-craft carrier, ethical tone and culture is not quickly or easily turned without effort, teamwork, and time. In contemplating this, City Council and City Management should consider how they individually and collectively convey messages about ethical tone, how they portray those messages in their actions and deeds, and actively determine and establish a plan for how they might more effectively affect positive ethical tone throughout the City.<sup>60</sup>

## VI. RECOMMENDATIONS

Based upon our examination, following are recommendations that may help the City better prevent and detect errors, misconduct, and fraud, waste and abuse:<sup>61</sup>

- Master Vendor File
  - Establish a “Vendor Master” role, assigned to a City employee trained to appreciate the importance of that role as a “gatekeeper” and who: cannot request the purchase of goods or services, does not participate in procuring goods or services, cannot approve vendors, cannot approve invoices or payments, cannot approve purchase requisitions, cannot process invoices or payments, and cannot approve or pay refunds. The addition and deletion of vendors to the Master Vendor File, as well as the ability to modify vendor information, should be restricted to the Vendor Master.
  - Update the current Master Vendor File to remove duplicative vendors that currently exist.

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<sup>60</sup> We have included in our Recommendations one associated with the City designing and instituting a City Compliance and Ethics Program. We have made this recommendation not only because it is not currently present in any effective form and is instrumental in helping prevent, detect, and respond to misconduct, fraud, waste and abuse, but also because it helps do so by establishing and affecting a positive ethical tone. It also includes aspects associated with non-retaliation against employees reporting ethical concerns or misconduct.

<sup>61</sup> As previously noted in this Report, several areas that were subject to our examination were in the process of change and/or revision by the City as of the time of this Report, including P-Cards, Accounts Payable, Internal Audit, Fuel Cards, and Time-Keeping/Payroll. Accordingly, though our forensic audit of those areas necessarily required that we understand and assess relevant controls within those areas at the time, we were directed by the City not to spend significant time making detailed recommendations on their improvement, other than aspects of those areas where we believed the City’s attention should be further directed. We do recommend that once these areas have been changed/revised by the City, a fraud vulnerability assessment be made to ensure those changes will most effectively help prevent errors, misconduct, and fraud, waste, and abuse.

- Standardize the conventions for information entry into the various fields associated with each vendor (i.e. phone numbers, names, etc.) and normalize all existing data.<sup>62</sup>
- Send new W-9 forms to the addresses on file associated with all City vendors and deactivate and/or remove any who do not respond timely (e.g. within 30 days).
- Bank Accounts and Reconciliations
  - An inventory and review of all City Bank accounts should be conducted and those accounts should be consolidated, as appropriate, to ensure that all bank accounts are active and used for their intended purposes.
  - The City should require with its banks the approvals of both the City Treasurer and City Manager (or Assistant City Manager) for all out-bound transactions or transfers among accounts over a certain dollar threshold (e.g. \$10,000).<sup>63</sup>
  - All City bank statements should be received, opened, and reviewed for unusual items by someone not performing the reconciliations, for example, the Assistant City Manager or Chief Financial Officer.
  - Bank reconciliations should be performed by an appropriately trained and experienced person in the Finance Department, who should initial and date the completed reconciliations before providing them to the Treasurer's Office for final review and approval (which should be documented by that designee (e.g. initials and date)). Any discrepancies should be identified and corrected and a listing of those discrepancies sent to the Chief Financial Officer. All proposed resulting journal entries should be reviewed and approved by the Chief Financial Officer prior to posting.

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<sup>62</sup> For example, in the vendor name field, those which include "Incorporated" in the name should always be entered in the same format, such as "Inc." Also, where a vendor's name includes periods or dashes (i.e. A.B.C. Inc., XYX-Widgets, etc.), consider removing such markings for all vendors. This helps ensure against incidental setup of duplicate vendors, as well as better prevent possible misconduct.

<sup>63</sup> This is primarily focused on electronic transfers of funds, not checks. Checks should be subject to processes and controls within the Accounts Payable function, which typically includes procedures to ensure payments are, among other things, authorized, properly documented, reasonable, timely, and consistent with all other relevant policies and procedures, which we understand to be in the process of revision as of the time of this Report.

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- Bank reconciliations should be rotated to other Finance personnel intermittently for cross-training and internal control purposes.
- Fuel
  - Each City owned vehicle should be assigned and maintain a log book that the vehicle user is required to record, at every refueling, the dates and times of refueling, vehicle odometer readings, name of the person fueling the vehicle, and gallons purchased.<sup>64</sup>
  - These log books should be reviewed monthly by a Supervisor, or their direct report, for missing entries, inconsistencies or unusual gas usage.
  - Vehicle operators failing to complete the logs and/or Supervisors failing to review them, should be held accountable and appropriately reprimanded (e.g. loss of vehicle usage/privileges for a time-period).
- Treasurer's Office
  - The posting of journal entries to the general ledger should only be done by the Finance Department. Currently, the Treasurer's Office can post entries directly into the City's accounting system and we recommend this access be removed from the City Treasurer and that Department.
  - Reconciliations should be performed and provided to the Chief Financial Officer and City Manager (or designee) at least quarterly on all outstanding receivables due to the City. Reconciliations should include the Treasurer's listing of outstanding amounts due against the general ledger and all discrepancies should be researched and reconciled accordingly. Exonerations and write-offs of any receivable should only be posted to the general ledger by the Finance Department upon the receipt of written documentation and support. Exonerations or write-offs should be

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<sup>64</sup> The City may want to consider an electronic tracking system to log all the same information for a portion of and/or all vehicles. An electronic system could be used to automatically identify user errors, inconsistencies, and/or possible misuse more accurately and timely. An electronic system could also be used not just to manage and compare all consumption of fuel by a specific vehicle over a particular time-period, but also by Department and/or its Departmental components, as well as the City as a whole.

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approved by both the Treasurer and the Commissioner of Revenue, if appropriate.<sup>65</sup>

- The Treasurer is responsible for collecting all funds due to the City, including any funds received outside of the Treasurer's Office. Therefore, all revenue collection locations should be identified and approved by the Treasurer to ensure the Treasurer's Office is aware of them and that collections are remitted to them timely.
- The Treasurer's Office should revise and/or establish formal written policies and procedures for the collection process that includes addressing the responsibility, custody, and timely and complete remittance of funds collected throughout the City to the Treasurer. Those policies and procedures should consider, for example, the use of pre-numbered and standardized receipts at all locations to help ensure that all remittances to the Treasurer's Office are consistently documented, complete, and that receipts were issued and the copies maintained.
- No cash should be held outside the Treasurer's Office for more than a small number of working days, as deemed appropriate by the City (e.g. three (3) working days).<sup>66</sup> All cash remitted to the Treasurer should be counted and verified by the remitting Department and the Treasurer's Office and documentation of each remittance should be maintained by the remitting Department and the Treasurer's Office, with a copy also sent to the Finance Department.
- A formal policy and procedure for all payment waivers should be created and implemented in the Treasurer's Office, which ensures, at the least:
  - No persons, including those in the Treasurer's Office, can back-date the system, delete fields (e.g. penalties and interest), or enter negative payment amounts within the system.

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<sup>65</sup> The City should consider including a requirement that exonerations or write-offs over a certain dollar threshold must be approved by City Council and/or the City Manager before it can be written off.

<sup>66</sup> All cash not remitted to the Treasurer's Office the same day it is collected should be maintained in a safe and secure location. A log of those locations should be maintained by the Treasurer's Office.

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- All waivers are prepared and documented by a Treasurer’s Office employee on a standardized form and approved or denied by the Treasurer (the Treasurer should not prepare waivers, only approve them).
- A listing of all waivers be sent on a recurring basis (e.g. daily or weekly) to the Commissioner of Revenue and the Chief Financial Officer.
- Petty cash within the Treasurer’s Office should be reconciled daily by someone who does not process payments and formally documented on a standardized form. Any discrepancies in the reconciliations should be reported to the Treasurer and the Chief Financial Officer (or designee), along with corrective actions recommended and/or taken.
- City Compliance and Ethics Program - Establish a formal City Compliance and Ethics Program (“Program”), that includes:<sup>67</sup>
  - The adoption of a Compliance Charter that, at a minimum:
    - Defines the scope and responsibilities of City Council Members as it relates to the City’s Program.
    - Defines the authority, job duties, and responsibilities of a City Compliance & Ethics Officer (CCEO), who will report directly to the City Manager and have direct access to City Council.
    - Defines the Program’s goals and processes.
    - Establishes the appropriate authorities necessary to implement and maintain the Program.
    - Provides for adequate resources necessary to implement and maintain the Program.

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<sup>67</sup> These suggestions are designed in accordance with Section 8B2.1 of the United States Sentencing Guidelines, entitled “Effective Compliance and Ethics Program,” which is recognized as “best practices” and forms the foundation for effective Programs in the Compliance and Ethics profession. The following is not as intensive or expensive as it may appear from the volume of suggestions. There are a myriad of Corporate Compliance and Ethics Professionals whom the City might consider for guidance and assistance if so required.

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- The establishment of a Chief Compliance and Ethics Officer (“CCEO”) position:
  - Established by and through the above Compliance Charter, along with a formal job description.
  - Has direct access to City Council (or a Committee thereof).
  - Has passed a background inquiry intended to assure the CCEO has not engaged in any illegal activities or other conduct inconsistent with an effective Program.
  - Knowledgeable and experienced with designing, implementing and maintaining effective Programs.
  - Empowered and provided sufficient resources to delegate and manage compliance responsibilities, as appropriate.
  - Sufficient time to dedicate to the Program.
  - Participation in Management and other meetings, as appropriate.
- Compliance and ethics Risk Assessment (“Risk Assessment”)
  - Implement an annual compliance and ethics risk assessment intended to identify all compliance and ethics risks – typically led by the CCEO.
  - Establish a system to continuously monitor and identify relevant emerging compliance and ethics risks.
  - Prioritization of compliance and ethics risks by CCEO, presented to City Management and City Council for review, input, and approval on an annual basis.

- Compliance and Ethics Program Work-Plan
  - A written plan developed and utilized by the CCEO to address prioritized compliance and ethics risks in accordance with the Risk Assessment.
  - Reviewed and approved annually by City Council and City Management.
  - Tracks the CCEOs efforts in ensuring prioritized compliance and ethics risks are addressed.
- Code of Conduct
  - Approved and endorsed by City Council and City Management.
  - Communicated to all City employees by City Management.
  - Published and easily accessible/available to all City employees.
- Compliance and Ethics Policies (“Policies”)
  - Collect, organize, update, revise and/or create Policies:<sup>68</sup>
    - Consistent with policy submission and approval process/procedure.
    - Assures that areas of prioritized risks are covered in accordance with the Risk Assessment.
    - Policies are written in such manner as to be easily understandable to all employees (i.e. not written in legalese, published in other languages (as appropriate), contains scenarios and hypotheticals applicable to real-life situations City employees may encounter, etc.)
  - Are published, disseminated and otherwise easily available and accessible to all City employees.<sup>69</sup>

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<sup>68</sup> Whether as part of a City Compliance and Ethics Program or not, the City should conduct a thorough review of all Policies. Our examination found that the City may be missing or have inadequate Policies covering a wide area of topics, including key areas such as Gifts & Gratuities and Conflicts of Interest.

<sup>69</sup> Whether as part of a City Compliance and Ethics Program or not, the City should ensure that all Policies are easily available to all City employees. Our examination found that, to the extent the City has Policies, they did not appear to be easily available to employees (or generally known to them).

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- Includes a system to timely and effectively communicate new policies or policy updates to all City employees (i.e. emails, hard-copies, employee meetings/gatherings, etc.)
- Certifications
  - Require that all City employees (full-time, part-time, temporary, and City Council Members & City Management) certify that they have read, understand, and agree to comply with all Policies and the Code of Conduct as a condition of offered/continued City employment, to the extent legally allowable.
  - Require timely certifications for new and updated Policies.
  - Require that new hires complete Certifications as part of the new hire orientation/onboarding process.
  - Institute a system to track and assure 100% of all Certifications are completed.
  - Maintain documentation of Certifications.
- Training
  - Train City Council Members on their compliance responsibilities, the Program (generally), and the particulars of the City's Policies and Code of Conduct.
  - General training on Policies and the Code of Conduct for all employees.
  - Directed training – conduct in-depth training on specific policies, in accordance with risks and applicability, for relevant employees.<sup>70</sup>

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<sup>70</sup> The goal is to cater training on policies with those most at risk to facing ethical situations associated with those policies. For example, employees in Procurement or who regularly interact with vendors should be trained on the Gifts and Gratuities and Conflicts of Interest Policies, while others, such as streets personnel, who may not have such interaction with vendors, may require specific training on different Policies. Training employees on Policies associated with risks they would never encounter is counter-productive, burdensome, unnecessary, and reduces employees' perception regarding the importance of such training.

- New Hires – Institute and require general training of all new hires on the City’s Policies and Code of Conduct as part of the new hire orientation process.
  - Incorporate training points/briefings, as appropriate, into normally scheduled meetings (i.e. weekly safety meetings, monthly management meetings, etc.)
  - Establish a system to record or otherwise make available required training(s) to those who missed scheduled training sessions.
  - Institute a system to track and assure employees attend required training sessions.
  - Documentation – Maintain documentation evidencing all training sessions, including copies of training materials, attendance logs, handouts, etc.
- Internal Controls - CCEO should assess, review, and/or seek the implementation of internal controls, where applicable and necessary and in accordance with prioritized risks per the Risk Assessment, to prevent and detect policy deviations and/or violations of laws or regulations.
  - Internal Investigations
    - Create a policy/procedure detailing how all internal investigations will be conducted, documented and reported to assure:<sup>71</sup>
      - CCEO awareness and oversight of all complaints, allegations and internal investigations associated with the Compliance and Ethics Program.
      - Adequate investigative scope coverage and documentation.
      - Appropriate notifications are made to City Council or City Management, as appropriate.

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<sup>71</sup> Whether as part of a City Compliance and Ethics Program or not, the City should implement such a Policy.

- Independent external investigative resources or support are used when appropriate.<sup>72</sup>
  - Use/application of independent and qualified best resources are used.
  - Appropriate disciplinary actions or criminal referrals are made for those violating Policies, laws or regulations.
  - Persons in “gatekeeper” or “control” roles are held accountable for failures.
  - External or other appropriate disclosure is made in compliance with all applicable requirements, laws and regulations.
  - Identification and remediation of all internal control failures or weaknesses.
  - CCEO should include a listing and updates of all relevant complaints, allegations and investigations to City Council and City Management in scheduled reports.
  - Implement a system to ensure non-retaliation against City employees who report perceived or actual misconduct or violations of City Policies and/or Code of Conduct.
- Incentives/Disciplinary Measures
    - Create incentives for employees to perform in accordance with City Policies and the Code of Conduct and to otherwise actively comply with the Program:
      - Incorporate compliance and ethics aspects into employee performance reviews, such as timely completion of required certifications, attendance of all required trainings, Policy or Code violations, or actions which prevented or detected City Policy, legal or regulatory violations.

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<sup>72</sup> Just as the City maintains external counsel on retainer to assist with legal issues that may arise, it should similarly consider engaging a professional forensic accounting or fraud examination firm on a retainer basis.

- Provide recognition to City employees who exemplify the City's Code of Conduct or participate actively in the Program.
- Failure to meet annual performance requirements should result in the withholding of promotions, raises, perks, and may also result in disciplinary actions, as allowable by law.
- Create, enforce and communicate disciplinary actions for violations of the City's Policies or Code of Conduct, as permissible by law, including:
  - Equal applicability of disciplinary actions for all (e.g. no difference for Executives who violate Policies)
  - Zero tolerance, but fair and just disciplinary penalties based on the violation and its potential effect on the City.
  - Include hypothetical examples, as appropriate, based on actual occurrences, in training sessions, during meetings/gatherings, or internal communications demonstrating the Policy or Code of Conduct violations, disciplinary actions taken, and potential impact on the Department or City as a whole.
- On-Going Monitoring of Program - Design and implement on-going procedures, monitoring, and/or auditing to test and assure compliance by City employees with the Program, City Policies, and the Code of Conduct, such as, but not limited to:
  - Create a Fraud, Waste and Abuse Hotline<sup>73</sup>
    - 24-hour Hotline that includes the ability to call or email complaints anonymously.
    - Advertise/publish the Hotline (i.e. posters that are conspicuous and in common areas, stickers, on the website, etc.)

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<sup>73</sup> Our interviews indicated that if such a Hotline existed, employees may be more likely to report concerns. Whether as part of a City Compliance and Ethics Program or not, the City should institute such a Hotline.

- Verbally communicated in compliance training sessions, during meetings/gatherings, etc.
- Design and implement a Hotline Policy with procedures that include:
  - Log of all complaints.
  - Notification plan identifying and ensuring which City Officials are notified for which types of complaints/allegations.
  - Conformity with the City's Internal Investigations Policy and procedures and Non-Retaliation Policy.
  - Incorporation into the City's Incentives/Disciplinary Measures, as appropriate.
  - Complainant follow-up, where possible due to anonymity.
  - Reporting
- Interviews by the CCEO of City employees designed to assess the effectiveness of Program training and internal controls, ethical tone, and application of the City's Policies and Code of Conduct.
  - Incorporated into the CCEO's Work-Plan
  - May use both random sampling and qualitative sampling to identify interviewees.
  - Expansion of sample sizes in accordance with prioritized compliance and ethics risks, as appropriate.
  - Private and non-threatening setting.
  - Includes the opportunity to report concerns anonymously.
  - Can be used to further teach/train employees about the Program, City Policies and Code of Conduct.
  - May engender a closer relationship between the CCEO and City employees that could facilitate future reporting of issues or concerns.

- Interviews should be documented.
- Audits
  - Areas to be audited should be selected in accordance with risks, complaints, internal investigation findings, Management directives, and as otherwise deemed appropriate by the CCEO.
  - Use of appropriate random sampling within audit areas.
  - Overseen by the CCEO, who may delegate audits to the best and available independent internal or external resources, as appropriate to each specific audit.<sup>74</sup>
  - Documentation of all audits maintained by the CCEO.
  - CCEO assures that findings are appropriately addressed, remediated, and reported, consistent with other City Policies.
- Reporting - Formalize annual reporting to City Council (or a subcommittee thereof) on the Program by the CCEO, including:
  - Overview of the Program
  - Performance against the Work-Plan.
  - Findings of On-Going Monitoring (e.g. audits).
  - Summary of all complaints and internal investigations.
  - Remedial measures taken.
  - Key issues, concerns, or other findings.
  - Cooperation level and participation in advancing and promoting the Program of City Management and leaders.
  - New or emerging compliance risks.
  - Request(s) for resources, funding, or other support.

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<sup>74</sup> We understand that the City is in the process and/or has engaged a third-party for Internal Audit work, which is something we feel could greatly benefit the City. It is not uncommon for Chief Compliance and Ethics Officers to leverage Internal Audit for assistance with compliance program audits.

- P-Cards
  - Though we understand the City to be in the process of revising its P-Card system and controls, we recommend that, consistent with our recommendations associated with a City Compliance and Ethics Program, this process include that written policies and procedures are revised/updated or established and made readily and easily available for all users of the P-Cards and ensures all users are effectively trained on those policies and procedures. The written policies and procedures should ensure:
    - Blocking of certain Merchant Account Codes, so that P-Cards cannot be used at locations typically providing goods or services not normally authorized by the City, such as vendors selling, for example, liquor, gambling, massages, golf, firearms, intimate apparel, debt collection agencies, credit card accounts, etc.<sup>75</sup>
    - Using P-Cards only for the purpose(s) as originally requested, approved, and established. Any unused P-Card funding cannot be used without documented approval and/or another purchase requisition.
    - Purchases cannot be split.<sup>76</sup>
    - No personal use of the cards.
    - Custody of the cards and who is responsible.
    - Remitting invoices/receipts timely.
    - Disciplinary actions that will be taken if the card is misused, up to and including termination of employment, as appropriate.
    - Routine audits of P-Card usage.

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<sup>75</sup> The bank providing the P-Cards can usually provide a complete listing of Merchant Account Codes that the City may consider blocking. This ensures that even if funds are on a P-Card, it cannot be used for purchases at certain locations.

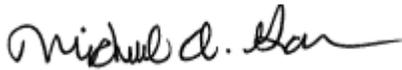
<sup>76</sup> As noted previously in this Report, we identified instances where this was done by City employees in circumvention of the procurement process by remaining below spending thresholds that would otherwise trigger additional procurement requirements.

- A fraud vulnerability assessment of the new P-Card system and controls, when implemented.
  
- Real Estate Tax Assessments
  - Conduct a new city-wide assessment of real estate values.
  - Ensure that Land Books are saved and maintained in electronic format.

**VII. SIGNATURE(S)**

To the extent that any additional documents or information are made available to us, we reserve the right to review any such information and to supplement and/or amend this Report.

Respectfully submitted,



Mike Garber, CPA, MBA  
Partner  
PBMares, LLP

and



John Hanson, CPA, CFE, CCEP  
Executive Director  
Artifice Forensic Financial Services, LLC

Dated: September 8, 2017



**CITY OF PETERSBURG, VIRGINIA  
REQUEST FOR PROPOSAL  
RFP No. 17-0013**

**PROJECT TITLE:** Forensic Auditing Services

**ISSUE DATE:** January 19, 2017

**CONTRACT COMMENCEMENT AND EXPIRATION:** The contract shall Commence on the Commencement Date set forth in the contract for Forensic Auditing Services and shall expire two years later, unless terminated earlier in accordance with the provisions of this Contract.

**EXTENSION OF CONTRACT:** The City reserves the right to extend the Contract for any reason for a period or periods up to but not to exceed 12 months. This extension may be exercised when the City determines that an extension of the Contract is advantageous to the City.

**PRE-PROPOSAL CONFERENCE:** N/A

**QUESTIONS:** Questions must be submitted in writing to the Purchasing Office no later than 12:00 pm on January 26, 2017. An electronic message may be submitted to [purchasing@petersburg-va.org](mailto:purchasing@petersburg-va.org). If necessary, an addendum will be issued and posted on the City website at [www.petersburgva.gov](http://www.petersburgva.gov). It is the responsibility of the offeror to download any addenda.

**SEALED PROPOSALS WILL BE RECEIVED UNTIL 2:30 P.M. prevailing local time February 06, 2017 in the Purchasing Office, City Hall Annex, 103 West Tabb Street, Petersburg VA 23803.**

If you are an individual with a disability and require a reasonable accommodation, please notify: Purchasing Office at (804) 733-2345 or TDD (804) 733-8003 three (3) working days prior to need. Proposal packages are available in the Purchasing Office or from the City's website at [www.petersburgva.gov](http://www.petersburgva.gov).

*Tangela Innis*

Tangela Innis, Purchasing Agent  
CPPB, MBA, VCCO, VCO, VCA

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**REQUEST FOR PROPOSAL #17-0013  
FORENSIC AUDITING SERVICES**

**I. PURPOSE**

The City of Petersburg (hereinafter referred to as the "City") requests firms of qualified Independent Certified Public Accountants (hereinafter referred to as "offerors," with the successful offeror or offerors referred to as the "Contractor") to submit proposals to enter into a term contract to perform a forensic audit for each of the areas identified below.

Special Revenue Funds  
Enterprise Funds  
Treasurer Process and Procedures  
Commissioner of Revenue Process and Procedures  
City issued Credit Cards

It is the intent of this Request for Proposals to have all auditing services performed by one Contractor; however, the right is reserved to award to multiple, separate contractors. The most responsive and most qualified auditing firm shall perform a forensic audit involving a factual investigation deemed necessary to identify and quantify any abnormal activity, if any during the fiscal periods identified below.

FY 2015-2016  
FY 2014-2015  
FY 2013-2014

This Forensic Audit shall not be conducted in conjunction with the preparation of the CAFR and shall be independent.

Any previous contracted auditors who were hired and worked for the City of Petersburg during the last 5 fiscal years shall not be eligible to submit a proposal on this solicitation.

**II. BACKGROUND**

- a. The City of Petersburg is located in central Virginia, 23 miles south of Richmond and encompasses an area of approximately 23.2 square miles. The City borders the Counties' of Chesterfield, Dinwiddie and Prince George, the City of Colonial Heights and Fort Lee. The estimated population 32,701.

The City Manager serves as the Chief Executive Officer and is responsible for the proper administration of city government. The seven-member City Council establishes local laws, provides government policy and oversight, and approves the city budget.

The primary government provides a full range of services including general

government administration, public safety, public works, human services, libraries, community development, and judicial administration.

The City's financial statements are prepared in conformity with U.S. Generally Accepted Accounting Principles ("GAAP") as applicable to governmental units.

The major funds reported by the City and are included in the current audit of the City financial statements are Governmental Funds (Capital Projects, Special Revenue and Permanent Funds), Proprietary Funds (Golf Course, Water and Sewer, Wastewater and Stormwater and Transit), and Fiduciary Funds (Trust & Agency Funds).

Information describing the City of Petersburg, Virginia, the funds and activities to be audited, and the financial highlights of the City can be obtained by reviewing the City of Petersburg's Comprehensive Annual Financial Report's ("CAFR"). The CAFR is available at the City's website: [www.petersburgva.gov](http://www.petersburgva.gov) or are available for review at the Purchasing Office.

Petersburg City Council voted unanimously to authorize a forensic audit on February 18, 2016. This scope will provide a plan for accomplishing the forensic audit.

### III. SCOPE OF WORK

1. **Eligibility Requirements** - To be eligible to qualify as a Contractor, the following minimum requirements must be met and maintained during the term of any resultant contract:
  - A. The Contractor must be licensed to practice in Virginia as a Certified Public Accountant firm;
  - B. The Contractor must be a member of the American Institute of Certified Public Accountants and must adhere to the AICPA professional standards of audit practices and conduct;
  - C. The Contractor's staff supervisor proposed to be assigned to this forensic audit must have at least five years' experience auditing similar governmental units;
  - D. The Contractor must have established the capacity to perform forensic audit procedures or forensic accounting procedures for government organizations and be able to conduct a forensic examination that will include findings and recommendations to correct nonstandard, irregular financial and accounting procedures, practices or policies;

- E. During the course of the initial investigation, the scope of work may be further expanded or altered at the recommendation and approval by the City Manager, with written changes approved in writing by the Purchasing Agent and/or City Manager. It is possible that the initial forensic audit may uncover new facts, unknown data or relevant queries that could change the scope of the audit.

2. **Audit**

- A. The forensic audit shall include a comprehensive review of all types of payments including, but not limited to:
  - 1. Automatic payments
  - 2. All type of deposits
  - 3. All types of procedures
  - 4. Signature authorizations
  - 5. Miscellaneous documentation and other pertinent authorizations
- B. The forensic audit shall include a thorough review of internal controls including:
  - 1. Cash collection and handling procedures
  - 2. Personal checks (including Payroll)
  - 3. Credit cards including city issued purchasing and travel cards
  - 4. Online payments
  - 5. Other payment transactions and internal controls
- C. The forensic audit shall provide an explanation and detailed documentation for the depletion of the Fund balances. This examination includes evaluating compliance with applicable city, state, and federal laws.
- D. The auditing firm shall perform investigations and research to assure citywide compliance with the generally accepted accounting principles (GAAP), as well as provide findings and recommendations, if any, to correct any identified accounting procedures or practices that are nonstandard or irregular. These findings and recommendations shall include cause and consequence of any instance, if any, of criminal activity, illegal acts, and potential fraudulent activity or civil liabilities.

The auditing firm shall cooperate with any and all law enforcement agencies for pending and new investigations.

- E. This audit shall include recommendations on revenue enhancement opportunities.

- F. This audit shall review any contracts the City has with firms for the collection of delinquent taxes and/or third party collectors and ensure the City has received appropriate funds in accordance with the agreement(s). The audit shall review these contract to ensure they were appropriately procured in accordance with City and State procurement guidelines.

**3. Following Completion of the forensic audit, contracted firm shall issue:**

- A. A written report communicating all discovered abnormal financial activity, past or present, its quantification, cause and consequence including instances of criminal activities, illegal acts, and potential fraudulent activity or civil liabilities that could support future legal action to the city.
- B. A letter to the City Manager indicating any reportable conditions found during the forensic audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data in the financial statements.

**4. Periods to Be Audited**

- A. The forensic financial audit shall be a comprehensive review and reconciliation of current and past fund practices in order to identify any abnormal financial activity, if any, during the following fiscal years.

FY 2015-2016

FY 2014-2015

FY 2013-2014

- B. The audit will review the following fund accounts:

- a) 212 Special Funds
- b) 213 Community Development Act Fund
- c) 380 Capital Improvement Projects
- d) 501 Utility Fund
- e) 502 Stormwater Program
- f) 550 Dogwood Trace Golf Course
- g) 555 Petersburg Generals
- h) 575 Mass Transit
- i) All Trust Fund accounts

**5. Meetings**

The Contractor shall schedule conferences with the City Manager before preliminary work, during the engagement, and upon issuance of an audit opinion. The initial meeting will be held to develop a schedule of year-end tasks with

appropriate due dates and assignment of responsibilities. Additional meetings shall be scheduled as necessary in order to complete the audit on a timely basis. The purpose of these meetings is to keep the governing body fully informed on the scope and progress of the audit. The Auditor shall disclose promptly to the committee any material weakness in internal controls, along with suggestions for improvements.

#### 6. Invoices and Payment

- A. The Contractor shall provide the City invoices that detail the fees for each deliverable.
- B. The Contractor's unit prices shall remain firm for the two-year initial term of this Contract. The unit prices for renewal terms, if any, shall be negotiated by the City and the Contractor as part of the renewal process initiated by the City's Purchasing staff.

#### 7. Access to Work Papers and Other Records

The Contractor shall make available to the City, upon demand and with notice reasonable under the circumstances, all work papers and other records in its possession concerning work performed under this contract for the City. No charge shall be made for allowing the City to examine such work papers and other records. If the City desires copies of any such work papers and records, the City shall pay only the actual cost of the Contractor in making such copies or having such copies made. Any legal or managerial reviews associated with this production are specifically excluded from these actual costs. In the event work papers or other records are required to be made available to a party other than the City pursuant to a subpoena or other lawful order issued by a governmental body and such requirement is not made upon the demand of the auditee, then the auditee shall not be liable for any costs associated with the Contractor's provision of such work papers or other records pursuant to such subpoena or other order.

### IV. PROPOSAL CONTENTS

The proposal must include all of the information set forth in this section and be organized as set forth in this section.

- a. **Tab 1 – Signed Forms.** This tab should include the completed and signed forms:
  - i. Proposal Signature Sheet
  - ii. Offeror Data Sheet
  - iii. Virginia State Corporate Commission Registration Information Sheet (SCC)
  - iv. Proprietary/Confidential Information Identification

- v. Minority Business Report
  - vi. Small Purchase Card
- b. **Tab 2 – Statement of the Scope.** In concise terms, state the Offeror’s understanding of the scope of work presented by the RFP. The Offeror should address each section of the scope of services with an indication of the response. The Offeror shall identify any exceptions, referenced to the paragraph number, in a sub-section titled “Exceptions”.
- i. Outline the firm’s approach to the City’s project including scope of services to be performed.
  - ii. Ability of the firm and staff to meet the requirements and schedule.
  - iii. Evidence of appropriate license or certification necessary to perform the services in the Commonwealth of Virginia.
- c. **Tab 3 – Executive Summary.** This tab should provide a brief summary of the proposal’s contents, emphasizing any unique aspects or strengths of the proposal. The Executive Summary should not exceed three pages.
- d. **Tab 4 – Key Personnel.** This tab should include the résumés or curriculum vitae of the offeror’s key staff members. It should identify the specific employees assigned to provide the services solicited by this Request for Proposals. For each key person identified by the offeror, this tab should include the following information, provided in résumé format:
- i. Name and title.
  - ii. Office location and City of residence.
  - iii. Project responsibilities and roles.
  - iv. Educational background.
  - v. Professional registrations and memberships (if applicable).
  - vi. Years of relevant experience.
- e. **Tab 5 – Offeror History.** This tab should include a comprehensive narrative history of the firm, including the development of its experience in providing auditing services to governmental entities and the depth of resources to provide the forensic auditing services solicited by this Request for Proposals. Explain the size of your firm, including years in business, office locations and legal structure.
- f. **Tab 6 – References.** This tab should include the names, addresses and telephone numbers of at least five (5) other local governments with whom offeror has worked during the last five (5) years. The tab should briefly identify the project, location and services performed. The tab

should also include an affirmative statement that the offeror grants its consent for the City to contact the offeror's references for purposes of evaluating the offeror for this Contract and acknowledges that any information obtained from the offeror's references will not be disclosed to the offeror. Offerors may not use the City of Petersburg as one of their references.

- g. **Tab 7 – Forensic Audit Approach.** This tab should describe in detail the offeror's proposal for providing the auditing services solicited by this Request for Proposals.
  
- h. **Tab 8 - Work Plan and Timeline.**
  - i. This tab should outline each of the proposed major task required to complete the engagement and estimate the approximate amount of time required of each.
  
  - ii. Indicate the estimate number(s) of professional hours, by person or class, allocated to each major task.
  
  - iii. Indicate the approximate dates that field work will begin and end, for both preliminary and final field work. Also indicate estimated dates for delivery of audit reports.
  
- i. **Tab 9 – Mandatory Criteria.**
  - i. Affirm that your firm, the partner and manager assigned to the audit engagement are properly licensed to perform the scope of services requested. Copies of licenses must be submitted in this section.
  
  - ii. Affirm that your firm meets the independence standards defined in the Ethical Rules of the AICPA and the Government Auditing Standards.
  
  - iii. Affirm that your firm meets the peer review standard of the AICPA and Government Auditing Standards.
  
  - iv. Affirm that the staff assigned to the forensic financial audit has complied with the general standards of qualifications, including continuing education requirements of the Government Auditing Standards.

- j. **Tab 10 – Subcontracting.** This tab should identify any of the required services that you intend to subcontract, if any, providing the following information:
  - i. Reasons for subcontracting.
  - ii. Proposed subcontractor responsibilities.
  - iii. Identity of proposed subcontractors including location, relevant personnel and experience, previous use as a subcontractor, and any other relevant supporting information.
- k. **Tab 11 - Transmittal Letter** – Each proposal must include a letter of transmittal containing the signature of the representative authorized to enter into contracts for the prime contractor. The transmittal letter should not exceed two (2) pages in length. It should also include a brief background of the firm in general including the size and organizational structure.
- l. **Tab 12 – Sample Contract** – Please furnish any sample contract the proposer expect the City to execute.

## V. EVALUATION CRITERIA

- A. These criteria are to be utilized in the evaluation of qualifications for the development of the shortlist of those offerors to be considered for negotiations. Individual criteria will be assigned varying weights at the City’s discretion to reflect relative importance. Offerors are required to address each evaluation criterion in the order listed and to be specific in presenting their qualifications.
- B. The Evaluation Committee will carefully evaluate all proposals received, and select a limited number of Offerors to present additional details via an on-site evaluation. The evaluation committee will also use the following evaluation criteria in ranking and selecting offerors for negotiation pursuant to this Request for Proposals:
- C. Available Evaluation Points – 100

### 1. **Qualification of the firm to perform audits for Local Governments similar to the City.....35 Pts.**

This criterion considers (i) the offeror’s documented past performance on any government contracts with an emphasis on Audit Services for Local Governments, (ii) the results of reference checks and (iii) the Offeror’s experience in providing

the services solicited in this Request for Proposals as set forth in the offeror’s proposal.

2. **Qualification of the staff to be assigned to the Project.....35 Pts.**

This criterion considers (i) the qualifications of the offerors personnel whom the offeror proposes to assign to provide the services solicited by this Request for Proposals as set forth in the offerors proposal.

3. **Accessibility..... 10 Pts.**

As required by City Code § 2-422, this criterion considers “the degree of accessibility that the contractor will be able to provide to the City officials who will be administering the contract.” This criterion recognizes the need for close cooperation and communication between the City and the Contractor in order to achieve the objectives of the contract resulting from this Request for Proposals.

4. **Minority Business Participation..... 10 Pts.**

Scope and quality of plan to achieve the City of Petersburg Minority Business and Women Business Enterprise goals, including; this criterion considers the history of the team recruiting a diverse workforce; proposed methods and level of commitment for ensuring success of minority, woman-owned, and emerging small business contactors.

5. **Compliance with Requirements.....10 Pts.**

This criterion considers the extent the Offeror’s compliance and willingness to comply with the all of the terms, conditions and other requirements of the Request for Proposals and resulting contract.

**Total .....100 Pts.**

The City shall engage in individual discussions with two or more offerors deemed fully qualified, responsible and suitable based on initial responses and with emphasis on professional competence, to provide the required services. Repetitive informal interviews shall be permissible. Such offerors shall be encouraged to elaborate on their qualifications and performance data or staff expertise pertinent to the proposed project, as well as alternative concepts. **At the discussion stage the City may discuss non-binding estimates of total project costs, including, but not limited to, life-cycle costing, and, where appropriate, non-binding estimates of price for services.** Proprietary information from competing offerors shall not be disclosed to the public or to competitors. At the conclusion of the informal interviews, on the basis of evaluation factors published in the Request for Proposals and all information developed in the selection process to this point, the City shall select, in the order of preference, two or more offerors whose professional qualifications and proposed services are deemed most meritorious. Negotiations shall then be conducted, beginning with the offeror ranked first. If a contract satisfactory and advantageous to the City can be negotiated at a price considered fair and reasonable, the award shall be made to that offeror. Otherwise, negotiations with the offeror ranked first shall be formally terminated and negotiations conducted with the offeror ranked second, and so on, until such a contract can be negotiated at a fair and reasonable price. The City reserves the right to make multiple awards as a result of this solicitation. Should the City determine in writing and in its sole discretion that only one offeror is fully qualified, or that one offeror is clearly more highly qualified and suitable than the others under consideration, a contract may be negotiated and awarded to that offeror.

In negotiations regarding the terms of the contract, the City has no legal authority to indemnify the offeror. Firms submitting proposals agree that they will not ask the City to indemnify them in any resulting contract.

## VI. PRE-PROPOSAL CONFERENCE – NONE

## VII. PROPOSAL PREPARTATION AND SUBMISSION INSTRUCTIONS

### A. GENERAL INSTRUCTIONS:

#### 1. RFP Response:

In order to be considered for selection, offerors must submit a complete response to this RFP. One (1) original, marked “Original,” five (5) copies, and one copy on CD of their proposal must be submitted to the Purchasing Office. No other distribution of the proposal shall be made by the offeror. The Purchasing Office will neither accept oral proposals, nor accept proposals received by telephone, FAX, or electronically.

All proposals must be sealed and labeled on the outside of an opaque

envelope or package to show the following:

- a. Title of Proposal
- b. Name of Offeror
- c. Address of Offeror
- d. RFP Number
- e. Receipt and Closing Date

Responses received after the due date and time will be returned to the offeror unopened. Proposals shall be open to public inspection only after award of the contract. The time proposals are received shall be determined with reference to the Purchasing Office Official Clock. Offerors are responsible for insuring that their proposals are stamped by Purchasing Office personnel by the deadline indicated. In the event the City offices are closed due to inclement weather and/or emergency situations at the time set aside for a pre-proposal conference and/or the advertised proposal receipt date, the conference and/or receipt date will default to the next open business day at the same time and location.

2. Proposal Preparation:

a. Proposals shall be signed by an authorized representative of the offeror. All information requested should be submitted. Failure to submit all information requested may result in the Purchasing Office requiring prompt submission of missing information and/or giving a lowered evaluation of the proposal. The Purchasing Office may reject proposals, which are substantially incomplete or lack key information. Mandatory requirements are those required by law or regulation or are such that they cannot be waived and are not subject to negotiation.

b. Proposals should be prepared simply and economically, providing a straightforward, concise description of capabilities to satisfy the requirements of the RFP. Emphasis should be placed on completeness and clarity of content.

c. Proposals should be organized in the order in which the requirements are presented in the RFP. All pages of the proposal should be numbered. Each paragraph in the proposal should reference the paragraph number of the corresponding section of the RFP. It is also helpful to cite the paragraph number, sub letter, and repeat the text of the requirement as it appears in the RFP. If a response covers more than one page, the paragraph number and sub letter should be repeated at the top of the next page. The proposal should contain a table of contents, which cross-references the RFP requirements. Information which the offeror desires to present that does not fall within any of the requirements of the RFP should be inserted at an appropriate place or be attached at the end of the proposal and designated as additional material. Proposals that are not organized in this manner risk elimination from consideration if the evaluators are unable to find where the RFP requirements are specifically addressed.

d. As used in this RFP, the terms "must", "shall", "should" and "may" identify the criticality of requirements. "Must" and "shall" identify requirements whose absence will have a major negative impact on the suitability of the proposed solution. Items labeled as "should" or "may" are highly desirable, although their absence will not have a large impact and would be useful, but are not necessary. Depending on the overall response to the RFP, some individual "must" and "shall" items may not be fully satisfied, but it is the intent to satisfy most, if not all, "must" and "shall" requirements. The inability of an Offeror to satisfy a "must" or "shall" requirement does not automatically remove that Offeror from consideration; however, it may seriously affect the overall rating of the Offerors proposal.

e. Each copy of the proposal should be bound or contained in a single volume where practical. All documentation submitted with the proposal should be contained in that single volume.

f. Ownership of all data, materials, and documentation originated and prepared for the City pursuant to the RFP shall belong exclusively to the City and be subject to public inspection in accordance with the *Virginia Freedom of Information Act*. Trade secrets or proprietary information submitted by an offeror shall not be subject to public disclosure under the *Virginia Freedom of Information Act*; however, the offeror must invoke the protections of § 2.2-4342F of the *Code of Virginia*, in writing, either before or at the time the data or other material is submitted. The written notice must specifically identify the data or materials to be protected and state the reasons why protection is necessary. The proprietary or trade secret material submitted must be identified by some distinct method such as highlighting or underlining and must indicate only the specific words, figures, or paragraphs that constitute trade secret or proprietary information. The classification of an entire proposal document, line item prices, and/or total proposal prices as proprietary or trade secrets is not acceptable and will result in rejection of the proposal.

3. Oral Presentation: Offerors who submit a proposal in response to this RFP may be required to give an oral presentation of their proposal to the City. This provides an opportunity for the offeror to clarify or elaborate on the proposal. This is a fact finding and explanation session only and does not include negotiation. The Purchasing Office will schedule the time and location of these presentations. Oral presentations are an option of the City and may or may not be conducted.

## VIII. GENERAL TERMS AND CONDITIONS

### A. Definitions:

1. Acceptance: Acceptance shall mean approval of contractor's invoice for services by the Purchasing Agent's Technical Representative.
2. City: The City of Petersburg, its authorized representatives and employees.
3. Contract: The signed Contract, stating the Scope of the Contract wherein the Contractor shall provide the services to the City as set forth in the Contract Documents.

4. Contract Documents:
    - (a) The signed Contract;
    - (b) This Request for Proposals;
    - (c) Any Addenda issued;
    - (d) The Proposal;
    - (e) The Negotiated Scope of Services to include the Cost Agreement; and
    - (f) Modifications and/r Change Orders issued subsequent to the execution of the Contract.
  5. Contractor: The individual, firm or organization which contracts with the City to perform the Work. As employed herein, the term "contractor" may refer to an individual, an organization, or to the contractor's authorized representative.
  6. Contract Sum: The total amount payable to the contractor for performance of the Work. The Contract Sum is stated in the Proposal and shall include any adjustments granted by amendment.
  7. Final Payment: The payment of the balance of the Contract Sum, following the Acceptance of all Services delivered pursuant to this Contract.
  8. Notice: As defined in Section VIII. paragraph F.
  9. Purchasing Agent: The City of Petersburg Purchasing Agent, or his designated representative, who shall serve as the City's contracting officer.
  10. Purchasing Agent's Technical Representative: The City official who serves as the Purchasing Agent's technical representative for purposes of administering the Contract.
  11. Time(s) for Performance: The date(s) on which Services are required to be provided, in accordance with the Contract Documents.
  12. Work: The Services required to be delivered by the Contractor pursuant to this Contract.
- B. The City:
1. Authority of the Purchasing Agent: The Purchasing Agent shall be the contracting officer for the City, who is authorized to execute this Contract and any Change Orders issued pursuant to Section P. No Notice to the City shall be effective unless a copy is delivered to the Purchasing Agent in accordance with the terms of the Contract.

2. Authority of the Purchasing Agent's Technical Representative: The Contract shall be administered by Department of Public Works, or its designated representative, who shall be referred to in the Contract Documents as "the Purchasing Agent's Technical Representative."

3. Additional City Representatives: The Purchasing Agent's Technical Representative may designate one or more additional representatives to coordinate with the Contractor or to inspect the Work performed by the Contractor.

C. The Contractor:

1. Licensure: To the extent required by the Commonwealth of Virginia or the City of Petersburg, the Contractor shall be duly licensed to perform the Services required to be delivered pursuant to this Contract.

2. Key Persons: If any "Key Persons" are identified in the Proposal, those Key Persons shall be directly involved in the performance of Contractor's Work hereunder. No Key Person shall be changed without the written consent of City unless such Key Person becomes unavailable to perform his or her duties because of death, disability or termination of employment; provided however, that a Key Person shall be removed at City's request. If a Key Person is no longer capable of performing in the capacity described in the Proposal, or is removed by the City, the City and the Contractor shall agree on a mutually acceptable substitute.

D. Terms for Performance:

1. The Work: The Services required to be delivered pursuant to this Contract shall be in strict accordance with the Specifications included as part of the Contract Documents. All persons performing Services pursuant to the Contract shall be duly qualified to perform those Services and shall hold any licenses required by law for persons performing such Services.

2. Time for Performance: Time is of the essence of this Contract. The Contractor shall perform all Services at the time(s) and in the manner(s) specified in the Contract Documents.

E. Applicable Laws and Courts: This solicitation and any resulting contract shall be governed in all respects by the laws of the Commonwealth of Virginia and any litigation with respect thereto shall be brought only in the courts of the City of Petersburg. The City and the contractor are encouraged to resolve any issues in controversy arising from the award of the contract or any contractual dispute using Alternative Dispute Resolution (ADR) procedures (*Code of Virginia of 1950*, as amended, § 2.2-4366). The contractor shall comply with all applicable federal, state and local laws, rules and regulations.

F. Anti-Discrimination: By submitting their proposals, offerors certify to the City that they will conform to the provisions of the Federal Civil Rights Act of 1964, as amended, as well as the Virginia Fair Employment Contracting Act of 1975, as amended, where applicable,

the Virginians With Disabilities Act, the Americans With Disabilities Act and § 2.2-4311 of the *Virginia Public Procurement Act (VPPA)*. If the award is made to a faith-based organization, the organization shall not discriminate against any recipient of goods, services, or disbursements made pursuant to the contract on the basis of the recipient's religion, religious belief, refusal to participate in a religious practice, or on the basis of race, age, color, gender or national origin and shall be subject to the same rules as other organizations that contract with public bodies to account for the use of the funds provided; however, if the faith-based organization segregates public funds into separate accounts, only the accounts and programs funded with public funds shall be subject to audit by the City. (*Code of Virginia of 1950*, as amended, § 2.2-4343.1E).

In every contract over \$10,000 the provisions in 1. and 2. below apply:

1. During the performance of this contract, the contractor agrees as follows:
    - a. The contractor will not discriminate against any employee or applicant for employment because of race, religion, color, sex, national origin, age, disability, or any other basis prohibited by state law relating to discrimination in employment, except where there is a bona fide occupational qualification reasonably necessary to the normal operation of the contractor. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.
    - b. The contractor, in all solicitations or advertisements for employees placed by or on behalf of the contractor, will state that such contractor is an equal opportunity employer.
    - c. Notices, advertisements and solicitations placed in accordance with federal law, rule or regulation shall be deemed sufficient for the purpose of meeting these requirements.
  2. The contractor will include the provisions of 1. above in every subcontract or purchase order over \$10,000, so that the provisions will be binding upon each subcontractor or vendor.
- G. Ethics in Public Contracting: By submitting their proposals, offerors certify that their proposals are made without collusion or fraud and that they have not offered or received any kickbacks or inducements from any other offeror, supplier, manufacturer or subcontractor in connection with their proposal, and that they have not conferred on any public employee having official responsibility for this procurement transaction any payment, loan, subscription, advance, deposit of money, services or anything of more than nominal value, present or promised, unless consideration of substantially equal or greater value was exchanged.
- H. Immigration Reform and Control Act of 1986: By submitting their proposals, offerors certify that they do not and will not during the performance of this contract employ

illegal alien workers or otherwise violate the provisions of the federal Immigration Reform and Control Act of 1986.

- I. Debarment Status: By submitting their proposals, offerors certify that they are not currently debarred by the City from submitting proposals on contracts for the type of services covered by this solicitation, nor are they an agent of any person or entity that is currently so debarred.
- J. Antitrust: By entering into a contract, the contractor conveys, sells, assigns, and transfers to the City all rights, title and interest in and to all causes of action it may now have or hereafter acquire under the antitrust laws of the United States and the Commonwealth of Virginia, relating to the particular services purchased or acquired by the City under said contract.
- K. Clarification of Terms: If any prospective offeror has questions about the specifications or other solicitation documents, the prospective offeror should contact the Purchasing Agent no later than 12:00 pm on January 26, 2017. Any revisions to the solicitation will be made only by addendum issued by the Purchasing Agent. Each offeror shall be responsible for determining that all addenda issued by the Purchasing Office have been received before submitting a proposal.
- L. Payment:
  1. Payment for Services: The contractor shall submit its invoice for the services performed during the previous month. The invoice shall bill for the services at the fixed monthly rate specified in the Contract Documents or shall detail those services provided and bill at the rates specified in the Contract Documents. The Purchasing Agent's Technical Representative shall verify that the services have been performed in accordance with the Contract Documents and, if appropriate, will approve the invoice and initiate the process for payment.
  2. Progress Payments: If authorized by the terms of the Contract, the contract may submit requests for progress payments at such times or upon the occurrence of such events as the Contract Documents may provide. Upon submission of the request for progress payment, the Purchasing Agent's Technical Representative shall verify the Consultant's entitlement thereto and, if appropriate, shall approve the invoice and initiate the process for payment.
  3. The contractor shall submit original invoices to the Purchasing Agent's Technical Representative which clearly describe and itemize the services provided. In addition, invoices shall contain, at a minimum, the following information:
    - (a) The date of the Contract;
    - (b) The Contract Number;
    - (c) The total cost for these itemized services.

The City reserves the right to determine whether the invoice is clear and properly itemized. However, if abbreviations or jargon are used on the invoice, the contractor shall provide a key printed directly on the invoice to explain the abbreviation or jargon.

4. Payment of Subcontractors: The Contractor agrees to take one of the two following actions within seven (7) days after receipt of amounts paid to the Contractor by the City for work performed by a subcontractor under this contract:

(a) Pay the subcontractor for the proportionate share of the total payment received by the Contractor attributable to the work performed by the subcontractor under this contract; or

(b) Notify the City and the subcontractor, in writing, of the Contractor's intention to withhold all or part of the subcontractor's payment with the reason for nonpayment.

The Contractor shall pay interest to the subcontractor on all amounts owed by the Contractor that remain unpaid after seven days following receipt by the Contractor of payment for work performed by the subcontractor under this contract, except for amounts withheld as allowed in (B) above. Unless otherwise provided under the terms of this contract, interest shall accrue at the rate of one percent per month. The interest charge shall not be deemed an obligation of the City, and a cost reimbursement claim may not include any amount for reimbursement for such interest charge.

The Contractor shall include in each of its subcontracts a provision requiring each subcontractor to include or otherwise be subject to the same payment and interest requirements with respect to each lower-tiered subcontractor.

- M. Precedence of Terms: The following General Terms and Conditions: APPLICABLE LAWS AND COURTS, ANTI-DISCRIMINATION, ETHICS IN PUBLIC CONTRACTING, IMMIGRATION REFORM AND CONTROL ACT OF 1986, DEBARMENT STATUS, ANTITRUST, CLARIFICATION OF TERMS, PAYMENT shall apply in all instances. In the event there is a conflict between any of the other General Terms and Conditions and any Special Terms and Conditions in this solicitation, the Special Terms and Conditions shall apply.

- N. Qualifications of Offerors: The City may make such reasonable investigations as deemed proper and necessary to determine the ability of the offeror to perform the services and the offeror shall furnish to the City all such information and data for this purpose as may be requested. The City reserves the right to reject any proposal if the evidence submitted by, or investigations of, such offeror fails to satisfy the City that such offeror is properly qualified to carry out the obligations of the contract and to provide the services contemplated therein.

- O. Assignment of Contract: The contract shall not be assignable by the Contractor in whole or in part without the written consent of the City.

P. Changes to the Contract: Changes can be made to the contract by mutual agreement in writing to modify the scope of the contract (“Modification”), or unilaterally by the Purchasing Agent directing the Contractor to make changes (“Change Order”). An increase or decrease in the price of the contract resulting from such modification shall be agreed to by the parties as a part of their written agreement to modify the scope of the contract.

Q. Insurance:

1. The Contractor shall purchase and maintain in force, at his own expense, such insurance as will protect him and the City from claims which may arise out of or result from the Contractor's activities, whether such be by himself, his employees, agents, subcontractors, or by anyone for whose acts any of them may be liable. Insurance shall remain in effect until final payment and at all times thereafter when Contractor may be correcting, removing, or replacing defective work. All insurance coverages will be provided by insurance companies authorized by the Virginia State Corporation Commission to sell insurance in Virginia. The Contractor shall furnish as a minimum the hereinafter coverages and limits, and on forms and of companies which are acceptable to the City Attorney and/or Risk Management, and shall require and show evidence of insurance coverages on behalf of any subcontractors (if applicable), before entering into any agreement to sublet any part of the work to be done under this Contract.

MINIMUM INSURANCE COVERAGES AND LIMITS REQUIRED:

a. Workers’ Compensation - Statutory requirements and benefits, irregardless of being subject to Title 65.2 of the *Code of Virginia of 1950* (Workers’ Compensation). Coverage shall include an “all states” endorsement and shall be provided for any proprietor, partner, executive officer, or member.

b. Employers’ Liability - \$100,000 bodily injury by accident each accident  
\$100,000 bodily injury by disease each employee  
\$500,000 bodily injury by disease policy limit

c. Commercial General Liability - \$1,000,000 per occurrence, \$2,000,000 aggregate. Commercial General Liability is to include bodily injury and property damage, personal injury and advertising injury, products and completed operations coverage, as well as contractual liability coverage. The City of Petersburg must be named as an additional insured and so endorsed on the policy.

d. Commercial Automobile Liability - \$1,000,000 combined single limit each accident. Automobile Liability is to cover “any auto”.

2. Instructions Regarding Insurance Certificates: The Contractor and his insurance company should carefully review the insurance requirements applicable to this contract. All requirements must be met before the City will execute the contract. In particular, we would call your attention to the following:

a. Please note that the Insurance Certificate must state that the Commercial General Liability and the Umbrella Liability Insurance Policies, as applicable, name the “City of Petersburg” as an additional insured. Many Certificates have a space headed "Description" where the language may be inserted as follows: the “City of Petersburg is additional insured” *or that* the “City of Petersburg is additional insured with respects to General Liability; and/or Umbrella Liability policies”.

b. The Certificate Holder should be listed as:

The City of Petersburg  
c/o Purchasing Office  
103 West Tabb Street  
Petersburg VA 23803  
Contract No. 17-0013– Forensic Auditing Services

c. The Contractor will provide an original, signed Certificate of Insurance, and such endorsements as prescribed herein.

3. Additional Insurance Requirements: Any additional specific insurance coverages to be provided by the Contractor are stated in the Supplementary General Conditions.

R. Drug-Free Workplace: During the performance of this contract, the contractor agrees to (i) provide a drug-free workplace for the contractor's employees; (ii) post in conspicuous places, available to employees and applicants for employment, a statement notifying employees that the unlawful manufacture, sale, distribution, dispensation, possession, or use of a controlled substance or marijuana is prohibited in the contractor's workplace and specifying the actions that will be taken against employees for violations of such prohibition; (iii) state in all solicitations or advertisements for employees placed by or on behalf of the contractor that the contractor maintains a drug-free workplace; and (iv) include the provisions of the foregoing clauses in every subcontract or purchase order of over \$10,000, so that the provisions will be binding upon each subcontractor or vendor.

For the purposes of this section, “*drug-free workplace*” means a site for the performance of work done in connection with a specific contract awarded to a contractor, the employees of whom are prohibited from engaging in the unlawful manufacture, sale, distribution, dispensation, possession or use of any controlled substance or marijuana during the performance of the contract.

S. Nondiscrimination to Contractors: A bidder, offeror, or contractor shall not be discriminated against in the solicitation or award of this contract because of race, religion, color, sex, national origin, age, disability, faith-based organizational status, any other basis prohibited by state law relating to discrimination in employment or because the bidder or offeror employs ex-offenders unless the City has made a written determination that employing ex-offenders on the specific contract is not in its best interest. If the award of this contract is made to a faith-based organization and an individual, who applies for or receives goods, services, or disbursements provided

pursuant to this contract objects to the religious character of the faith-based organization from which the individual receives or would receive the goods, services, or disbursements, the City shall offer the individual, within a reasonable period of time after the date of his objection, access to equivalent goods, services, or disbursements from an alternative provider.

T. Availability of Funds: It is understood and agreed between the parties herein that the City shall be bound hereunder only to the extent of the funds available or which may hereafter become available for the purpose of this agreement.

U. Small Business, and Minority-, Women-, and Service Disabled Veteran-Owned Business: The City of Petersburg actively solicits small, and minority-, women-, and service disabled veteran-owned businesses to respond to all Invitations for Bids and Requests for Proposals, and if not already on the City's Bidder's Mailing List, you may request application for inclusion on the list. Please contact the Purchasing Office at (804) 733-2345 and request an application, or download one from the City's website [www.petersburgva.gov](http://www.petersburgva.gov).

V. No Discrimination Against Faith-Based Organizations: The City of Petersburg does not discriminate against faith-based organizations as that term is defined in § 2.2-4343.1 of the *Code of Virginia of 1950*, as amended.

W. Taxes:

1. The Contractor shall pay all city, state and federal taxes required by law enacted at the time proposals are received and resulting from the work or traceable thereto, under whatever name levied. Said taxes shall not be in addition to the contract price between the City and the Contractor, as the taxes shall be an obligation of the Contractor and not of the City, and the City shall be held harmless for same by the Contractor.

2. The City is exempt from the payment of federal excise taxes and the payment of State Sales and Use Tax on all tangible, personal property for its use or consumption. Tax exemption certificates will be furnished upon request.

X. Mandatory Use of City Forms and Terms and Conditions: Failure to submit a proposal on the official city forms provided for that purpose may be a cause for rejection of the proposal. Modification of or additions to the General Terms and Conditions of the solicitation may be cause for rejection of the proposal; however, the City has the right to decide, on a case by case basis, in its sole discretion, whether to reject such a proposal.

Y. Bankruptcy: If contractor should be adjudged bankrupt, or make a general assignment for the benefit of its creditors, or if a receiver should be appointed on account of the contractor's insolvency, then the City may without prejudice to any other right or remedy, and after giving the contractor seven (7) calendar days written notice, terminate this contract and procure such goods or services from other sources. In such event, contractor shall be liable to the City for any additional cost occasioned by such failure or other default. In such cases, contractor shall not be entitled to receive any further payment. If the expense of finishing the contract requirements, including compensation for additional managerial and

administrative services shall exceed the unpaid balance of the contract price, the contractor shall pay the difference to the City.

Z. SCC Identification Number: Each bidder or offeror organized or authorized to transact business in the Commonwealth pursuant to Title 13.1 (Corporations) or Title 50 (Partnerships) of the *Code of Virginia of 1950*, as amended, shall include in its bid or proposal the identification number issued to it by the Virginia State Corporation Commission. Any bidder or offeror that is not required to be authorized to transact business in the Commonwealth as a foreign business entity under Title 13.1 or Title 50 or as otherwise authorized by law shall include in its bid or proposal a statement describing why the bidder or offeror is not required to be so authorized.

AA. Entire Agreement: The Contract Documents constitute the entire agreement among the parties pertaining to the Work and supersede all prior and contemporaneous agreements and understandings of the parties in connection therewith.

BB. Royalties and Patents: The Contract Sum includes all royalties and costs arising from patents, trademarks, and copyrights in any way involved in the Work. Whenever the Contractor is required or desires to use any design, device, material or process covered by letters of patent or copyright, the Contractor shall indemnify and save harmless the City, its officers, agents and employees from any and all claims for infringement by reason of the use of any such patented design, device, tool, material, equipment, or process to be performed under this Contract, and shall indemnify the City, its officers, agents, authorized representatives, and employees for any costs, expenses and damages which may be incurred by reason of any such infringement at any time during the prosecution and after the completion of the Work.

CC. Severability: Should any provision of this Contract be declared invalid for any reason, such decision shall not affect the validity of any other provisions, which other provisions shall remain in force and effect as if this Contract had been executed with the invalid provision(s) eliminated, and it is hereby declared the intention of the parties that they would have executed the other provisions of this Contract without including therein such provision(s) which may for any reason hereafter be declared invalid.

DD. Survival: Any provision of this Contract which contemplates performance subsequent to any termination or expiration of this Contract, including, without limitation, the provisions of Record Retention, Audit and Price Adjustment (VIII. A), and Indemnification (VIII. B) shall survive any termination or expiration of this Contract and shall remain in full force and effect according to their terms.

EE. Non-Waiver: The failure of Contractor or the City to exercise any right, power or option arising under this Contract, or to insist upon strict compliance with the terms of this Contract, shall not constitute a waiver of the terms and conditions of this Contract with respect to any other or subsequent breach thereof, nor a waiver by Contractor or City of their rights at any time thereafter to require exact and strict compliance with all the terms thereof.

FF. Headings: Numbered topical headings, articles, paragraphs, subparagraphs or titles in this Contract are inserted for the convenience of organization and reference and are not intended to affect the interpretation or construction of the terms thereof.

## IX. SPECIAL TERMS AND CONDITIONS

### A. Record Retention and Audit:

Audit: All records, reports and documents relating to this Contract shall be maintained by the contractor for a period of five (5) years following Final Payment (the "Audit Period"). Such records, reports and documents shall be subject to review and audit by City and the City's consultants or auditors at mutually convenient times.

### B. Indemnification: The contractor hereby assumes all liability for and agrees to indemnify and hold harmless the City and its officers, authorized representatives and employees against any and all claims, losses, costs, damages, penalties, liabilities and fees (including reasonable attorneys' fees) and expenses resulting from any material breach of the representations, warranties and covenants of the contractor contained in the Contract Documents or from any injuries to persons or property caused by the negligence or alleged negligence of the contractor or its sub consultant, employees, or authorized representatives, or in any other manner arising out of the performance of this Contract.

### C. Right to Cancel or Reject: The City reserves the right to cancel this RFP and/or reject any or all proposals, to waive any informalities in any proposal, to award any whole or part of a proposal, and to award to the Offeror whose proposal is, at the sole discretion of the City, determined to be in the best interest of the City.

### D. Proposer Expenses: The City will not be responsible for any expenses incurred by an Offeror in preparing and submitting a proposal.

### E. Assignment / Subcontracting: The services furnished by the Contractor shall be neither assigned nor subcontracted without prior written consent by the City.

### F. Notice:

1. Written Notice: All Notices required by the terms of this Contract shall be in writing. For purposes of this Paragraph, "writing" shall include facsimile transmissions and electronic mail, provided that reasonable care is used to ensure that the Notice is received by its intended recipient.

2. Notice to Contractor: Written Notice may be served on the Contractor by mail, courier, facsimile transmission or electronic mail to the Contractor's business address as stated in the Proposal cover sheet.
  3. Notice to City: Written Notice may be served on the City by mail, courier, facsimile transmission or electronic mail to the Purchasing Agent's Technical Representative, with a copy to the Purchasing Agent.
- G. Termination or Suspension:
1. Termination for Convenience: The City shall have the right to terminate this Contract at its own convenience for any reason by giving thirty (30) days prior written Notice of termination to the Contractor. Each subcontract shall contain a similar termination provision for the benefit of the Contractor and the City. The City shall have the right to employ an independent accounting firm to verify any amounts claimed by the Contractor to be due under this Paragraph. The City shall have the right of audit (and Contractor shall have the obligations) stated in Section A, above, insofar as they pertain to amounts claimed to be due hereunder.
  2. Termination for Default: The City of Petersburg may, by written Notice to the Contractor, terminate the whole or any part of the Contract in any one of the following circumstances:
    - (a) If the Contractor fails to perform the Services as specified in this Contract, and does not cure such failure within a period of ten (10) days after receipt of Notice from the Purchasing Agent or his designee;
    - (b) If the Contractor fails to perform any of the other provisions of this Contract, and does not cure such failure within a period of ten (10) days after receipt of Notice from the Purchasing Agent or his designee; or
    - (c) Without further notice, if the Contractor defaults in the performance of its duties pursuant to subsections (a) and/or (b) above more than twice within any consecutive twelve (12) month period, whether or not the Contractor subsequently cures such earlier defaults.
  3. Non-Appropriation of Funds: This Contract is conditioned upon an appropriation made by the City Council of the City of Petersburg of funds sufficient to pay the compensation due the Contractor under this Contract. If such an appropriation is not made in any fiscal year, and the City lacks funds from other sources to pay the

compensation due under this Contract, the City will be entitled, at the beginning of or during such fiscal year, to terminate this Contract. In that event, the City will not be obligated to make any payments under this Contract beyond the amount properly appropriated for Contract payments in the immediately prior fiscal year. The City will provide the Contractor written Notice of Termination of this Contract due to the non-appropriation of funds at least fifteen (15) calendar days before the effective date of the termination. However, the City's failure to provide such Notice will not extend this Contract into a fiscal year in which funds for Contract payments have not been appropriated.

4. Force Majeure: Except for defaults of sub consultants at any tier, the Contractor shall not be liable for any excess costs of failure to perform if the failure to perform this Contract arises from causes beyond the control and without the fault or negligence of the Contractor. Excusable causes include, but are not limited to, acts of God or of the public enemy and acts of the federal or state government in either their sovereign or contractual capacities. If the failure to perform is caused by the default of a sub consultant at any tier, and if the cause of the default is beyond the control of both the Contractor and the sub consultant, and without the fault or negligence of either, the Contractor shall not be liable for any excess costs for failure to perform, unless the subcontracted Services were obtainable from other sources in sufficient time for the Contractor to meet the required Time(s) for Performance.

H. Compensation: The contractor shall be required to submit a complete itemized invoice on each delivery or service, which he may perform under the contract. Payment shall be rendered to the contractor for satisfactory compliance with the contract within forty-five (45) days after the receipt of the proper invoice.

I. Advertising: In the event a contract is awarded for services resulting from this proposal, no indication of such sales or services to the City will be used in product literature or advertising. The contractor shall not state in any of its advertising or product literature that the City has purchased or uses any of its services, and the contractor shall not include the City in any client list in advertising and promotional materials.

J. Exceptions to the RFP: Any exception to any provisions of the RFP shall be explicitly identified in a separate "Exceptions to RFP" section of the proposal for resolution before execution of the contract. In case of any conflict between the RFP and any other contract documents, the RFP shall control unless the contract documents provide otherwise. Please identify below, or under separate cover, any "Exceptions to the RFP".

**X. ATTACHMENTS**

- Exhibit A: Proposal Signature Sheet (to be returned with Proposal)
- Exhibit B: Offeror Data Sheet (to be returned with Proposal)
- Exhibit C: Virginia State Corporation Commission Registration Information Sheet (SCC)
- Exhibit D: Proprietary/Confidential Information Summary Sheet
- Exhibit E: Minority Business Report
- Exhibit F: Small Purchase Card

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**EXHIBIT A  
PROPOSAL SIGNATURE SHEET**

In compliance with this Request for Proposals and to all the terms and conditions imposed therein and hereby incorporated by reference, the undersigned offers and agrees to furnish the services in accordance with the attached signed proposal or as mutually agreed upon by subsequent negotiation. Receipt of Addenda is acknowledged: \_\_\_\_\_.

My signature certifies that the accompanying proposal is not the result of, or affected by, any unlawful act of collusion with another person or company engaged in the same line of business or commerce, or any act of fraud punishable under Title 18.2 Section 489.4 of the *Code of Virginia of 1950*, as amended. Furthermore, I understand that fraud and unlawful collusion are crimes under the Virginia Governmental Frauds Act, the Virginia Government Bid Rigging Act, the Virginia Antitrust Act, and federal law, and can result in fines, prison sentences, and civil damage awards.

My signature also certifies that this firm has no business or personal relationships with any other companies or persons that could be considered as a conflict of interest or potential conflict of interest to the City of Petersburg, and that there are no principals, officers, agents, employees, or representatives of this firm that they have any business or personal relationships with any other companies or persons that could be considered as a conflict of interest or a potential conflict of interest to the City of Petersburg, pertaining to any and all work or services to be performed as a result of this request and any resulting contract with the City of Petersburg. Furthermore, offeror is in compliance with the *State and Local Government Conflict of Interests Act*, Section 2.2-3100, supplemented by Sections 2.2-4367 – 69 of the *Code of Virginia of 1950*, as amended. Specifically, no city employee, city employee’s partner, or any member of the city employee’s immediate family holds a position with the offeror such as an officer, trustee, partner or the like, or is employed in a capacity involving personal and substantial participation in the procurement transaction or owns or controls an interest of more than five percent.

To receive consideration for award, this signature sheet must be returned to the Purchasing Office as it shall be a part of your response.

Complete Legal Name of Firm and address:

_____	Date: _____
_____	By: _____ (Signature in Ink)
_____	Name: _____ (Please Print)
_____ Zip Code: _____	Title: _____
FEIN No.: _____	Phone:(_____) _____
E-mail: _____	Fax: (_____) _____

**Submit this form with Proposal**

EXHIBIT B
OFFEROR DATA SHEET

Note: The following information is required as part of your response to this solicitation. Failure to complete and provide this sheet may cause your proposal to be deemed non-responsive. (Additional Information required per Section 2.13 of RFP)

1. Qualifications: The offeror must have the capability and capacity in all respects to fully satisfy all of the contractual requirements.

2. Offeror's Primary Contact:

Name: Phone:

3. Years in Business: Indicate the length of time you have been in business providing this type of service, under the current name, as well as any prior names with dates:

Years: Months:

4. Indicate below a listing of at least three (3) current or recent contracts (at least 6 months), either commercial or governmental, that your firm is servicing, has serviced, or has provided similar service. Include the length of service and the name, address, and telephone number of the point of contact.

A. Company: Contact:
Phone: ( ) Fax: ( )
Project:
Dates of Service: \$ Value:

B. Company: Contact:
Phone: ( ) Fax: ( )
Project:
Dates of Service: \$ Value:

C. Company: Contact:
Phone: ( ) Fax: ( )
Project:
Dates of Service: \$ Value:

D. Company: Contact:
Phone: ( ) Fax: ( )
Project:
Dates of Service: \$ Value:

5. Business Category (Check all that apply)

- Small Business Women Owned and Controlled
Minority Owned and Controlled Service Disabled Veteran Owned and Controlled
None of the above

Submit this Form with Proposal

**EXHIBIT C**  
**VIRGINIA STATE CORPORATION COMMISSION (SCC)**  
**REGISTRATION INFORMATION SHEET**

**The Offeror:**

- is a corporation or other business entity with the following SCC identification number: \_\_\_\_\_ **-OR-**
- is not a corporation, limited liability company, limited partnership, registered limited liability partnership, or business trust **-OR-**
- is an out-of-state business entity that does not regularly and continuously maintain as part of its ordinary and customary business any employees, agents, Offices, facilities, or inventories in Virginia (not counting any employees or agents in Virginia who merely solicit orders that require acceptance outside Virginia before they become contracts, and not counting any incidental presence of the Offeror in Virginia that is needed in order to assemble, maintain, and repair goods in accordance with the contracts by which such goods were sold and shipped into Virginia from bidders out-of-state location) **-OR-**
- is an out-of-state business entity that is including with this proposal an opinion of legal counsel which accurately and completely discloses the undersigned Bidder's current contacts with Virginia and describes why those contacts do not constitute the transaction of business in Virginia within the meaning of § 13.1-757 or other similar provisions in Titles 13.1 or 50 of the Code of Virginia.

Please check the following box if you have not checked any of the foregoing options but currently have pending before the SCC an application for authority to transact business in the Commonwealth of Virginia and wish to be considered for a waiver to allow you to submit the SCC identification number after the due date for bids:

**Submit this Form with Proposal**

**EXHIBIT D  
PROPRIETARY/CONFIDENTIAL INFORMATION SUMMARY SHEET**

Trade Secrets and Proprietary Information: Ownership of all data, materials and documentation originated and prepared for the State pursuant to RFP #17-0013 shall belong exclusively to the City and be subject to public inspection in accordance with the *Virginia Freedom of Information Act*. Trade secrets or proprietary information submitted by an Offeror shall **not** be subject to public disclosure under the *Virginia Freedom of Information Act*; however, the Offeror must invoke the protections of Section 11-52D of the *Code of Virginia*, in writing. The written notice must specifically identify the data or materials to be protected and state the reasons why protection is necessary. **THE CLASSIFICATION OF AN ENTIRE PROPOSAL DOCUMENT, LINE ITEM PRICES AND/OR TOTAL PRICES AS PROPRIETARY OR TRADE SECRETS IS NOT ACCEPTABLE AND WILL RESULT IN REJECTION OF THE PROPOSAL.**

Document or Section/Title	Specific Page Number(s)	Reason(s) for Withholding from Disclosure. See the Reason Codes listed below.

Identify the reason for withholding from disclosure by applying the applicable code from below and/or by written explanation.

- A = This page contains information relating to “trade secrets”, and “proprietary information” including processes, operations, style of work, or apparatus, identify, confidential statistical data, amount or source of any income of any person (or) partnership. “See the Virginia Public Procurement Act, Section 11-52(D). Unauthorized disclosure of such information would violate the Trade Secrets Act 18 U.S.C. 1905.
  
- B = This page contains proprietary information including confidential, commercial or financial information which was provided to the Government on a voluntary basis and is of the type that would not customarily release to the public. See the Virginia Public Procurement Act, Section 11-52(D); 5U.S.C. 552 (b) (4); 12 C.F.R.309.5(c) (4).
  
- C = This page contains proprietary information including confidential, commercial or financial information. The disclosure of such information would cause substantial harm to competitive position and impair the Government’s ability to obtain necessary information from contractors in the future. 5 U.S.C. See the Virginia Public Procurement Act, Section 11-52 (D); 552 (b) (4); 12 C.F.R. 309 5 (c) (4).

Signature \_\_\_\_\_ Date: \_\_\_\_\_  
 Name (Printed) \_\_\_\_\_ Title: \_\_\_\_\_

**Submit this Form with Proposal**

**EXHIBIT E  
MINORITY BUSINESS REPORT**

It is the intent of the City to promote small business (SBE), minority business (MBE), and women-owned business (WBE), you are requested to report the total dollars that will be sub-contracted to each of the business classifications pertaining to this contract. If you should sub-contract with SBE's, MBE's, and WBE's, it is important that you list the dollar figures separately for each general classification.

The success of the City to track the amount of business received by SBE, MBE, and WBE Firms (whether as a prime contractor or a subcontractor) is dependent upon the business community partnering with us in this important endeavor. Failure to report the dollars in the categories below may result in the application of stronger requirements being placed on bidders to assure that SBE, MBE and WBE firms receive benefits from City contracts.

Complete the following information and return this form with your proposal. IF you are a SBE, MBE or WEB, please check on of the following boxes:

- SBE       MBE       WBE

If you are non-subcontracting, even if you are a S/M/WBE, put zeroes in the spaces below.

Total SBE Dollars to be Sub-contracted \$ \_\_\_\_\_

Total MBE Dollars to be Sub-contracted \$ \_\_\_\_\_

Total WBE Dollars to be Sub-contracted \$ \_\_\_\_\_

---

If you are not a SBE, MBE, or WBE and you do not plan to utilize such firms in this contract please state your reasons:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT F  
SMALL PURCHASE CARD PROGRAM**

Are you currently a VISA vendor and will you accept VISA credit cards for payment of goods and services on this contract.

Yes       No

In compliance with this Request for Proposals and to all the conditions imposed herein, the undersigned offers and agrees to furnish the services in accordance with the attached signed proposal or as mutually agreed upon by subsequent negotiation. Payments maybe made using BOA Visa if the contractors accepts this form of payment.

Signature:
Name (Print):
Title (Print):
Date:

**Submit this Form with Proposal**



## CITY OF PETERSBURG, VIRGINIA REQUEST FOR PROPOSAL

RFP No. 17-0013

### SCOPE OF WORK – CLARIFICATION FOR INTERVIEWED FIRMS AND REQUEST FOR DOCUMENTATIONS

1. The City anticipates a decision regarding the firms we will chose to negotiate with during the week of March 27, 2017. To be able to do that, we need to clarify the initial scope of work for interviewed firms with the understanding that the scope can, and likely will, be modified after the initial meetings with the selected firm(s).

When this contract is awarded, the City will meet with the contractor and have a scoping and introductory meeting. The below areas should be the initial focus as we prepare for the first phase of the agreement:

- a. Payroll and Accounts Payable – Duplicate Payment of Employees and Vendors
  - b. City issued Credit Cards to Include Purchasing and Travel Cards – Employee use/abuse as well as determining if cards are being used for personal gain and if cards are being used during weird unusual hours of the day.
  - c. Cash Management at the Point of Entry, including an inventory of points of entry.
  - d. Review of all City owned checking accounts
  - e. Bank Reconciliation process and weaknesses.
  - f. Appropriateness of Tax assessments, Tax abatements and Tax credits, and Write-Off's provided to individuals, for all taxes. Whether the individuals who had the authority to approve these decisions were performing in the best interest of the City and with consistency.
  - g. Fuel usage – Frequency of use by individuals for possible abuse
  - h. Water and Waste Water Billing and Collections and the appropriateness of credits, waivers, and payment plans provided to individuals. If the individuals who had the authority to approve these decisions performing in the best interest of the City and with consistency.
2. The City requests the following items be provided by 12:00 Noon, on March 27, 2017:
    - i. A copy of your most recent peer review documentation
    - ii. Written affirmation of this revised scope
    - iii. Anticipated timeline for completion, if the project is awarded by April 03, 2017.
    - iv. Non-Binding Estimate of Hours it will take your firm to complete phase 1 and the total cost for the first phase of this project. ***The City understands this is an estimate and needs this information as part of our budgetary planning on this project.***

**MEMO**

<b>Person Interviewed:</b>	Kevin A. Brown City Treasurer, City of Petersburg
<b>Interviewed by:</b>	John Hanson and Kenon Thomas
<b>Date of Memo:</b>	June 26, 2017
<b>Location of Interview:</b>	Mayor's Conference Room, Petersburg, Virginia

Kevin A. Brown, City Treasurer, was interviewed by forensic auditors John Hanson and Kenon Thomas (PBMares/Artifice Forensic Financial Solutions). Brown was interviewed in the Mayor's Conference room on the second floor of City Hall on Monday, June 26, 2017 from approximately 4:45 p.m. to 6:45 p.m. Brown was previously interviewed by forensic auditors John Hanson and Mike Garber (PBMares/Artifice Forensic Financial Solutions) on May 1, 2017. Brown provided the following information during this, his June 26, 2017, interview:

On May 3, 2017 Brown emailed Hanson that the Robert Bobb Group had shredded financial documents without discussing it with the Treasurer's office. He was unsure of what specific documents were shredded and did not believe that the shredding involved any misconduct, but was under the impression that the documents that were shredded might be later needed by external auditors and that shredding them could create a document issue for the auditors and/or problems for his office. Brown believed that [REDACTED], was the best person to talk to for more information related to this.

On May 15, 2017 Brown emailed Hanson about an accounts payable check issued [REDACTED] that was returned to the Treasurer's office by USPS as undeliverable on May 15, 2017. Brown's belief that these funds were for [REDACTED] money was based on the account upon which the check was drawn. Brown was concerned that a check for [REDACTED] money was issued by Accounts Payable directly to the [REDACTED], who apparently no longer resided at [REDACTED] address of record. Brown believed that this should be further examined.

On May 17, 2017 Brown emailed Hanson (with copy to City personnel [REDACTED] and [REDACTED]) about an "IDA" account that was not under the City's FEIN, but which had been referred to his office by the City's Economic Development office for checkwriting. This account normally had very minimal activity, but approximately 1-2 months ago, Brown noticed a significant increase in the number of check requests (approximately 10 requests) he was receiving. When Brown questioned the Economic Development office about this, they informed him that [REDACTED] ([REDACTED]) had informed them of funds available in this

**MEMO**

account. Brown understood that the Economic Development office had no more funds left in their budget for an event they were planning and █████ suggested the use of this non-City account to help fund it. Brown signed one check for the IDA, but none after that. Brown also noted that signature authority on this account would be transferred back to the IDA in the next month.

Brown noted that his wife, Gloria Person-Brown, was a member of the IDA board. Brown's wife also works a variety of small, part-time jobs, including: assisting in inventory counts for companies, demonstration of products in retail stores, and event planning for special events. Brown's wife had recently had a knee replacement and was currently receiving disability pay as well.

Brown advised that in September of this year (2017), both of his kids would be out of the house. His █████ was returning to college at █████ (Junior year) and his █████, █████, would be going to boarding school at █████. █████ had received a partial █████ and █████ scholarship to █████ that covered all but approximately \$16,000 of █████'s annual \$53,000 costs (tuition, room/board).

Around the Fall of 2016, Brown first learned that the petty cash balance of \$1,500 maintained by the Treasurer's Office started to decrease. At the end of 2016 or beginning of 2017, the petty cash balance had decreased by approximately \$1,000, to \$500. He had been privately made aware of the decrease over time by █████, who █████. In late 2016 or early 2017, when petty cash had reached \$1,000 in missing funds, █████ brought it to the entire department's attention and offered amnesty if the money was replaced. █████ cautioned that if the missing funds were not replaced, █████ was going to call the police.

Brown was upset about the missing petty cash, but also nervous about the police being called because it meant more people would be looking into the Treasurer's office and might otherwise look bad for his office, which was already the subject of significant negative public opinion. Approximately two weeks later, someone replaced the missing petty cash. Brown did not know who had replaced the missing petty cash and he did not recall how he learned that the money was replaced.

Brown believed that everyone in his department had the opportunity to take petty cash because the safe was always open and all of his employees (6 employees, including Brown) had access to it. He also felt that because of the 10% pay cut that had occurred, all of his employees may have had some financial need. Of those in his department, Brown felt that he could exclude █████, █████, and himself as possible suspects for the petty cash theft(s).

## MEMO

At no time did Brown conduct an investigation into the thefts and he did not report it to law enforcement or anyone else in the City. The only action Brown took as a result of the petty cash thefts was to verbally change the petty cash procedures to require that any cashier who needed access to petty cash funds would have to check in with [REDACTED] or [REDACTED]. He did not secure the safe (it remained open during working hours), implement written procedures/controls, or otherwise institute controls to ensure compliance with his new verbal petty cash policy.

Approximately three months ago, Brown learned that the petty cash balance was again decreasing. Sometime within the last month or so, Brown learned from [REDACTED] that when [REDACTED] [REDACTED] found that there was a large amount of missing money in the box and/or the cash drawers. Brown did not know how much was missing and was not aware that [REDACTED] had informed the forensic auditors (PBMares/AFFS) about this. Brown was very distraught about the money being gone again, but still did not institute any control changes to prevent further thefts, undertook no investigation of the petty cash theft(s), and did not report it to law enforcement or anyone else in the City.

[REDACTED]

[REDACTED]

[REDACTED]

Brown did not inform the forensic auditors (PBMares/AFFS) during his May 1, 2017 interview about the missing petty cash because he was not asked about it. Brown stated that he did not take money from petty cash and that he had not personally reimbursed the initial missing petty cash of approximately \$1,000. He thought that the only reason anyone in his department might accuse him of the petty cash theft(s) was because he was the boss and they may not like the way he manages his office. Brown also had no explanation for why anyone in his department would say that he had personally reimbursed the first instance of missing petty cash (approximately \$1,000).

As it regarded refunds, the majority of refunds arise from issues concerning Personal Property taxes. Brown believed that most refunds resulted from bank charges/fees incurred by the taxpayer due to an error by the cashier when inputting taxpayers' bank account information. Refunds were largely not handled by the Treasurer's Office directly.

The Commissioner of Revenue's office is responsible for abating taxes and the Treasurer's office does not handle any abatement of taxes.

## MEMO

Though it may be technically possible by other employees in the Treasurer's Office, Brown is the only person in his department authorized to waive tax penalties and interest and, he believed, the only person who actually knew how to do it. The waiving of tax penalties and interest is governed by the Code of Virginia. A copy of a paper displayed in numerous public locations throughout the Treasurer's Office was reviewed by Brown, who agreed that it represented the restrictions associated with waiving tax penalties and interest (see Attachment A).

Brown has waived real estate tax penalties and interest many times. Most times it was associated with real estate taxes where the mortgage code was never updated. If the mortgage code is not updated, the taxpayer will never receive the bill, so Brown will waive the penalties and interest associated with these errors. Any tax penalties and interest can be waived within the BAI system in one of two ways: (1) changing/back-dating the cash register date to a date prior to the penalty and/or interest being incurred or (2) overriding/deleting the amounts within the penalty and interest fields directly. In either instance, Brown believed that there was no audit trail that would reflect such actions.

Brown could not recall ever waiving penalties and interest for Personal Property taxes, but has waived them for Meals Taxes resulting from issues in identifying when taxes were paid (the postmark being unclear or supporting a timely payment). If the postmark is missing, for example, Brown will sometimes give the taxpayer the benefit of the doubt and waive the Meals Tax penalties and interest.

Though he understood it to be inconsistent with the Code of Virginia (see Attachment A), Brown has waived tax penalties and interest many times. On some occasions when he did so, he told taxpayers he could get in serious trouble or lose his job for waiving tax penalties and interest. He was willing to take that risk because he felt that he understood the customer and their issues and wanted to help them. Brown did not think anyone in his department would accept money, drugs or any other valuables from a taxpayer in order to have their tax penalty and/or interest waived. Brown has never had someone offer him anything in exchange for waiving tax penalties and/or interest.

In addition to his job as Treasurer, Brown has been an Uber driver for the past year and a half. He earned approximately \$7,000 in 2016 as an Uber driver and is still driving for Uber now. He drives for Uber mostly on Fridays and Saturdays. Brown was not aware of any disclosures to and/or approvals required by the City regarding additional employment and he had not made any such disclosures or sought such approvals for his Uber driving employment. Brown's household does not have any additional income outside of his salary, Uber, and his wife's income. Brown estimated their collective annual household income in 2016 to be around \$ [REDACTED].

**MEMO**

As part of a separation agreement between Brown and his wife, Brown is given an allowance of \$[REDACTED] per week, plus the money he earns from driving for Uber. The separation was a result of his excessive spending and his separation agreement limits his financial abilities, such as opening new credit card accounts. Brown did not identify what this “excessive spending” was on, aside from compulsory type buying, but stated that it was not associated with any illicit activities (i.e. drugs or escorts). Brown did not know how his wife paid for international trips during this year (2017), such as to Cuba and Thailand and he did not know if she had made a trip this year to Martha’s Vineyard. For a short period of time, Brown was not living with his wife at their residence, but has recently moved back in with her.

Brown was shown a copy of an e-mail string ranging from June 2016 through March 2017 reflecting emails between himself and a taxpayer, [REDACTED], regarding the waiver of a tax penalty and interest (see Attachment B). In that email string was a message from Brown dated June 15, 2016 in which Brown wrote, in part: *“Sending this information to the media, could cost me my job, since the removal of penalties and interest are not allowed by my office in the Code of Virginia.”* Brown’s best recollection of [REDACTED] was that [REDACTED] used to serve on the [REDACTED]. Though he thought that [REDACTED] was possibly not living within the City limits during the timeframe for which [REDACTED] was taxed, he believed that his waiving the tax penalties and interest for [REDACTED] would have been against the Code.

Brown was shown an e-mail string ranging from April 4, 2017 through April 18, 2017 between himself and [REDACTED] of [REDACTED] (see Attachment C). In that email string was a message from Brown dated April 18, 2017 in which Brown wrote, in part: *“I will waive the fees and hope I don’t lose my job. You need to send the payment directly to me.”* Brown recalled the e-mail and stated that the waiver of penalty and interest in this case would have been against the Code.

Brown was shown two emails, one an email from him to TaxVA (“TACS”) dated February 28, 2017 and the other an email string between himself and a taxpayer, [REDACTED], dated March 19, 2017 (Brown’s reply) and March 18, 2017 [REDACTED] complaint about real estate taxes), respectively (see Attachment D). TACS is the tax collection agency engaged by the City to collect delinquent taxes. In the February 28, 2017 email from Brown to TACS, Brown directs TACS to stop collection on [REDACTED] two parcels because of a failure to post payments correctly on both accounts.

**MEMO**

In Brown's March 19, 2017 email reply to [REDACTED], Brown wrote, in part: *"I will get to you and don't forget I waived penalty and interest for you(r) behind, which I didn't have to do and could get in serious trouble, if anyone found out!"* Brown stated that he has no personal relationship with [REDACTED] and does not know [REDACTED] aside from seeing [REDACTED] [REDACTED]. Brown recalled that the payments on [REDACTED] account were incorrectly posted to prior period taxes, which resulted in [REDACTED] current tax bills accruing penalty and interest, which were the subject of the waivers.

Brown was shown an internal worksheet prepared by the forensic auditors from various City records that scheduled the transactions on [REDACTED] two real estate parcels (see Attachment E). It was pointed out to Brown that the entries reflecting negative penalty and interest amounts on both of [REDACTED] parcels were made by Brown and were actually for the principal amounts due (the taxes) and not the penalties and interest. Brown agreed that these entries had effectively "abated" [REDACTED] real estate taxes for each property for several quarters. Brown believed that in attempting to waive the fees on [REDACTED] account, which he agreed that he was not permitted to do under the Code, he had erred and had inadvertently waived the entire principal balances. Brown stated [REDACTED] did not provide him with any form of compensation in return for the waivers and that this was an accident. Brown added that he and [REDACTED] do not get along very well.

Brown agreed that entries such as those involving [REDACTED] could permit him to divert cash tax payments such that it would not be obvious in the City's records and would not be detected in the daily cash reconciliations performed by [REDACTED] in his office. Brown denied that he had ever done this; however, Brown then admitted that, contrary to his earlier statements, he had stolen the petty cash.

Brown stated that beginning in approximately the Fall of 2016, he began taking cash from petty cash. Because of his domestic situation and separation agreement, he was under financial duress and needed money. Petty cash was readily available and he took advantage of his position and role to steal from it. Additionally, though he had previously denied knowing who had replaced the first theft of petty cash, he now admitted that he had replaced the funds. He did so using money that he borrowed from [REDACTED], which was given to him by form of a check. He believed it was about \$1,000.

## MEMO

After replacing the initial \$1,000 in stolen petty cash, Brown's need for cash continued and he began stealing petty cash again. He did not know exactly when this started again, but it has continued over the last many months in 2017. Brown did not know how much his current theft(s) of petty cash amounted to. When told that the petty cash shortage as of a couple weeks ago was approximately \$900, he did not contest it and he did not know how he was going to be able to pay it back.

Brown said that he was very sorry for and ashamed of stealing the petty cash, but that he had not stolen or diverted City funds in any other way.

.....

At 7:45pm on June 26, 2017, approximately one hour after Brown's interview was concluded, Brown emailed John Hanson (lead forensic auditor interviewer) from his City Treasurer email account, writing (see Attachment F):

*"John,*

*Thanks for the meeting. I just got home. I remember you asking was there anything else, but I wasn't really listening at that point. My response was no. Now, I remember and I apologize that I didn't share this with you earlier.*

*On some days, I would close my drawer after everyone left. I took \$5, 10, or \$20 out of the drawer and into my pocket to spend. My drawer was short on the report, but it was short because of me. Sometimes, I put it back into the petty cash drawer, sometimes I didn't put it back. This stems from my [REDACTED] bi-weekly allowance.*

*I have to learn to live within my means. I apologize for not sharing earlier, but I was in another world after I shared my petty cash story. Thank you and have a great evening!"*



## CITY OF PETERSBURG CITY TREASURER

MAILING ADDRESS: P.O. BOX 1271, PETERSBURG, VA 23804  
135 NORTH UNION STREET, PETERSBURG, VA 23803  
PHONE: (804) 733-2322 FAX: (804) 733-2321

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### LATE PAYMENT / PENALTY AND INTEREST:

Late payment penalty and interest is required by law for all untimely payments (VIRGINIA Code Section 58.1-9 and 58.1-3916). The late payment penalty is 10% of the unpaid balance if payment is received after the due date. Interest, at the annual rate of 10%, begins to accrue on the unpaid balance on the day after the due date.

Penalty and interest be **cannot** be waived for the following reasons:

- (1) the taxpayer did not know the deadline or misread the deadline on the tax bill (1981-88 Report of the Attorney General 559, August 22, 1988);
- (2) the taxpayer did not receive a bill (1970-71 Report of the Attorney General 373, March 31, 1971);
- (3) the bill was mailed to the wrong address (1981-82 Report of the Attorney General 393, March 25, 1982);
- (4) the bill was incorrect (1986-87 Report of the Attorney General 321, July 31, 1986);
- (5) the taxpayer received erroneous information from County/City staff, whether in person or over the phone (1981-82 Report of the Attorney General 350, May 13, 1982).

Late payment penalty and interest *may be waived* if the lateness was due to a medically determinable physical or mental impairment of the taxpayer on the due date, provided payment is made within 30 days of the due date. Penalty and interest may also be waived if the Commissioner abates the underlying tax or certifies that the taxpayer was not assessed in a timely manner due to a clerical error by the Commissioner's staff or if the late payment was due solely to the fault of the Treasurer or Commissioner of the Revenue. Otherwise, the law imposes automatic penalty and interest if payment is late. There can be no "waiver" of penalty and interest. Either penalty and interest applies or it doesn't. The bottom line is that taxpayers have a duty to know due dates and to pay on time. If no bill is received, that duty includes contacting the taxing authority prior to the due date and paying on time (1981-82 Report of the Attorney General 393, March 25, 1982).

Wednesday, June 14, 2017 at 12:12:25 PM Eastern Daylight Time

**Subject:** Fw: Automatic reply: Collections notice - TACS# [REDACTED]  
**Date:** Monday, March 27, 2017 at 2:30:09 PM Eastern Daylight Time  
**From:** City Treasurer  
**To:** super@taxva.com  
**CC:** [REDACTED]  
**Attachments:** TACS\_March2017\_COLLECTIONS.NOTICE.pdf, Confirmation of Electronic Check Payment.pdf, receipt\_TACS.pdf, TACS\_June2016\_COLLECTIONS.NOTICE.pdf

Can you all release the lien and take this account out of your collection cycle?

**Kevin A. Brown**  
City Treasurer  
Phone (804) 733-2322  
Fax (804) 733-2321  
PO Box 1271, Petersburg, VA 23804  
135 N. Union Street, Petersburg, VA 23803  
[citytreas@petersburg-va.org](mailto:citytreas@petersburg-va.org)

Etreasurer website - <http://www.petersburg-va.com/>

You may view, print or pay all bills at <http://www.petersburg-va.com/>. All requests for updated real estate information must be emailed to [citytreas@petersburg-va.org](mailto:citytreas@petersburg-va.org) or faxed to (804) 733-2321. If you are disputing any personal property bills, please contact the Commissioner of Revenue's Office at (804) 733-2315. \*\*All title searchers, mortgage, bank or finance companies requesting utility billing information can find that information on our Etreasurer website by customer name, address or account number.\*\*

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**From:** [REDACTED]  
**Sent:** Saturday, March 25, 2017 7:49 PM  
**To:** City Treasurer  
**Cc:** [REDACTED]  
**Subject:** Re: Automatic reply: Collections notice - TACS# [REDACTED]

Good evening Mr. Brown,

I just received another collections notice from TACS, regarding the unpaid balance for a 2012 personal property tax bill that I never received from the City of Petersburg. A request to garnish my wages has also been sent to my employer, [REDACTED].

In June 2016, I spoke with you over the phone and corresponded by email. We agreed that I would pay the actual amount owed for the personal property tax bill (\$102.09), but that you office would remove the additional fees. I remitted payment for this amount on 6/13/16. Documentation for all of this is attached to this email.

Per your email below, this issue should have been reconciled. I am upset to find out that this is not the case; and, I am concerned that this matter now involves my employer. Please contact me at your earliest convenience to discuss. I can be reached at [REDACTED].

Sincerely,  
[REDACTED]

On Wed, Jun 15, 2016 at 7:29 PM, City Treasurer <[citytreas@petersburg-va.org](mailto:citytreas@petersburg-va.org)> wrote:

Thanks for the kind words. Sending this information to the media, could cost me my job, since the removal of penalties and interest are not allowed by my office in the Code of Virginia. As soon as we get your account reconciled, my office will email you that your account is current with the City of Petersburg.

**Kevin A. Brown**

**City Treasurer**

**Phone (804) 733-2322**

**Fax (804) 733-2321**

**PO Box 1271, Petersburg, VA 23804**

**135 N. Union Street, Petersburg, VA 23803**

**[citytreas@petersburg-va.org](mailto:citytreas@petersburg-va.org)**

**Etreasurer website - <http://www.petersburg-va.com/>**

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From: [REDACTED]

Sent: Wednesday, June 15, 2016 2:11 PM

To: [REDACTED] City

Treasurer <[citytreas@petersburg-va.org](mailto:citytreas@petersburg-va.org)>

Cc: [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]

Subject: Fwd: Automatic reply: Collections notice - TACS# [REDACTED]

Mr. Brown,

Thank you for taking time to contact me yesterday morning and to follow up with me last night - you were very kind and helpful, and I appreciate your willingness to remove the interest and fees from my account.

I am copying the local news channels so that they are aware of your prompt attention to my concerns, and so that they are aware that the matter has been resolved. My hope is that this will result in "good press" for the City of Petersburg.

For my personal records, would it be possible to have someone from your office email me something in writing stating that these additional fees have been waived?

Again, thank you for your time and attention to my concerns. I understand that you are on medical leave, so am especially appreciative of your efforts.

Sincerely,

----- Forwarded message -----

From: **City Treasurer** <[citytreas@petersburg-va.org](mailto:citytreas@petersburg-va.org)>

Date: Mon, Jun 13, 2016 at 7:03 PM

Subject: Automatic reply: Collections notice - TACS# [REDACTED]

To: [REDACTED]

Ladies and Gentlemen:

I will be out of the office on Monday, May 16, 2016. I will return to the office on Monday, June 27, 2016. I am out of the office due to medical reasons. If you need assistance, please contact call (804) 733-2385 or (804) 733-2386. One of our Deputy Treasurers will contact you as soon as possible. Also, you may email the office at [pmullin@petersburg-va.org](mailto:pmullin@petersburg-va.org).

Wednesday, June 14, 2017 at 12:07:21 PM Eastern Daylight Time

**Subject:** Re: Real Estate Tax  
**Date:** Tuesday, April 18, 2017 at 8:35:06 PM Eastern Daylight Time  
**From:** [REDACTED]  
**To:** City Treasurer  
**CC:** [REDACTED]  
**Attachments:** [REDACTED].png, image001.png, image002.jpg

Thanks Kevin. Appreciate your help.

[REDACTED]

[REDACTED]

**From:** City Treasurer <citytreas@petersburg-va.org>  
**Date:** Tuesday, April 18, 2017 at 8:24 PM  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** Re: Real Estate Tax

[REDACTED]

Everyone is responsible for knowing when these bills are due. State Code says that the only relief is for someone who is medically unable to pay on the due date and I have to receive a notice from the doctor. I will waive the fees and hope I don't loose my job. You need to send the payment directly to me. Please mark on your calendars that these bills are due the last business day of September, December, March and June of every year!

**Kevin A. Brown**  
City Treasurer  
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From: [REDACTED]

Sent: Wednesday, April 5, 2017 2:12:58 PM

To: City Treasurer

Cc: [REDACTED]

Subject: FW: Real Estate Tax

Hey Kevin – I just tried to call but didn't get an answer. Is there a way we can talk about this? I am confident we did not receive a bill for our Real Estate Taxes. Not saying that was your departments fault – maybe a postal error. But we always pay our bills on time.

Any way these late fees can be waived? We have been spending the last 6 months offering to help the city in any way we can with the current financial crisis and will be practically doing so this summer – so to get a late fee seems tough (although I am sure it is an automatic process that doesn't necessarily take into account the recipient.)

Let me know when you get the chance.

Thanks.

[REDACTED]

[REDACTED]

From: [REDACTED]

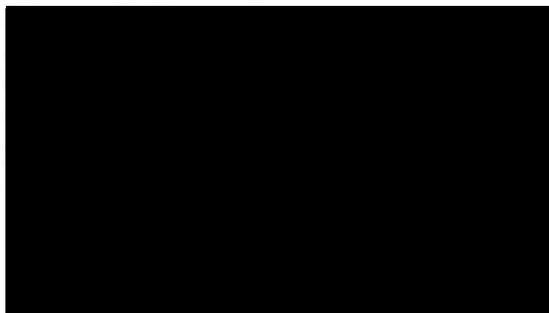
Sent: Wednesday, April 05, 2017 1:37 PM

To: [REDACTED]

Subject: FW: Real Estate Tax

Hey [REDACTED],

Here is the bill. I will process it here at the [REDACTED]. Looks like there is a \$147.35 late fee as well as a \$13.51 interest fee for the late payment.



From: City Treasurer [mailto:citytreas@petersburg-va.org]

Sent: Tuesday, April 4, 2017 10:19 AM

To: [Redacted]

Subject: Re: Real Estate Tax

TranTyp: PAY Dept/Bill#: RE2016 [Redacted] P/I Date: 4/04/2017 4/04/2017

Name: [Redacted] Bill Date: 1/01/2017 Half: 3

Name 2: [Redacted] Due/PstDt: 3/31/2017

Address: [Redacted] Map#: [Redacted]

Zip: 23803 - 3332 Acreage: 1 Dist/Cls 08 / 03

Desc: [Redacted] Mortg.Co.: 000  
2 [Redacted] SSN: 000 - 00 - 0000 Status  
000 - 00 - 0000

Land:	\$478,000	Improve:	\$1,705,000	Use:	\$0
Original Bill:	\$1,473.53	Credits:	\$0.00	Discount:	\$0.00
Penalty Paid:	\$0.00	Int Paid:	\$0.00	Last Date:	1/01/2017
Amount Owed:	\$1,473.53	Other:	\$0.00	Setoff Claim #:	00000000
Total Owed:	\$1,634.39	Penalty:	\$147.35	Interest:	\$13.51

**Kevin A. Brown**  
**City Treasurer**  
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**From:** [REDACTED]  
**Sent:** Tuesday, April 4, 2017 9:33:32 AM  
**To:** City Treasurer  
**Subject:** Real Estate Tax

Good Morning,

I am writing in regards to the [REDACTED] location at [REDACTED]. We have two parcels of land that are associated with that address and we have not received the latest property tax invoice. Please direct me to the appropriate person who can assist with sending an invoice to me.

Thank you in advance,

[REDACTED]

Wednesday, June 14, 2017 at 9:34:10 AM Eastern Daylight Time

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**Subject:** Deletion of Delinquent Real Estate Taxes for [REDACTED]  
**Date:** Tuesday, February 28, 2017 at 12:59:16 PM Eastern Standard Time  
**From:** City Treasurer  
**To:** super@taxva.com  
**CC:** [REDACTED]

Please stop collection fees on parcels 012-[REDACTED] and 012-[REDACTED] for [REDACTED]. We have not posted payments correctly on both accounts. Thank you very much for your assistance concerning this matter.

Sincerely,

**Kevin A. Brown**  
City Treasurer  
Phone (804) 733-2322  
Fax (804) 733-2321  
PO Box 1271, Petersburg, VA 23804  
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Wednesday, June 14, 2017 at 8:16:05 AM Eastern Daylight Time

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**Subject:** Re: Amount Due On Real Estate Taxes  
**Date:** Sunday, March 19, 2017 at 3:17:51 PM Eastern Daylight Time  
**From:** City Treasurer  
**To:** [REDACTED]

I am not even going to reply to your email. I told you that I would work on your account, when I get a chance. When I do, I will give you the amounts due. Stop this foolishness on email. I will get to you and don't forget I waived penalty and interest for you behind, which I didn't have to do and could get in serious trouble, if anyone found out!

How dare you get on your high horse? I am not the one to jump bad with! You have a great weekend!

**Kevin A. Brown**

**City Treasurer**

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**Fax (804) 733-2321**

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**From:** [REDACTED]  
**Sent:** Saturday, March 18, 2017 2:39:09 PM  
**To:** City Treasurer  
**Subject:** Amount Due On Real Estate Taxes

Mr. Brown,

I am thoroughly confused!!! After [REDACTED] myself all the way down to your office and going over the erroneous first quarter Real Estate billing for [REDACTED] and [REDACTED] I go online to pay and FIND THAT THERE HAS BEEN NOTHING DONE TO CORRECT THE AMOUNT OWED ON MY ACCOUNTS! I AM SICK AND TIRED OF THE INEPTNESS OF YOU AND YOUR ENTIRE STAFF IN THE TREASURY DEPT. I DON'T KNOW WHAT ELSE TO DO, I AM TRYING TO PAY MY TAXES, BUT I WILL NOT PAY WHAT I DON'T OWE!!!!!! ONCE AGAIN I WILL BE IN TO SEE YOU AND WILL NOT LEAVE UNTIL I AM GIVEN PROOF THAT MY ACCOUNTS WILL BE BROUGHT UP TO DATE. I am sorry for your "personal situation", but if you cannot handle the day to day activities of your position, YOU NEED TO STEP DOWN!!!

[REDACTED] listed total amount due: 1,353.63...WRONG!!!!!!!! INACCURATE!!!!!!!!

[REDACTED] listed total amount due 930.39...WRONG!!!!!!!! INACCURATE!!!!!!!!

Summary of [REDACTED] Tax Account

	Rd.	Rd.	TOTAL BALANCE	Penalties	Interest
01/01/16	\$ 168.41	\$ 238.61	\$ 407.02	\$ -	\$ -
04/01/16	RE2015, 3rd Quarter	168.42	814.05	-	-
07/01/16	RE2015, 4th Quarter	168.41	1,221.07	-	-
08/16/16	RE2016, 1st Quarter	(168.42)	814.04	-	-
10/01/16	Payment of RE2015Q4 by [REDACTED]	168.41	1,221.06	-	-
01/01/17	RE2016, 2nd Quarter	168.41	1,628.08	-	-
02/28/17	RE2016, 3rd Quarter	-	1,628.08	-	-
	<i>Kevin requests stop collections on both parcels</i>				
	<i>[REDACTED] complains that balances due are incorrect based on previous discussion</i>				
03/18/17	<i>with Kevin</i>		1,628.08	-	-
03/19/17	<i>Kevin advises [REDACTED] that he waived P&amp;I for him</i>		1,628.08	-	-
03/28/17	Kevin adjusts RE2015, 3rd Quarter	(168.41)	1,459.67	(168.41)	-
03/28/17	Kevin adjusts RE2015, 3rd Quarter	-	1,221.06	-	(238.61)
03/28/17	Kevin adjusts RE2016, 1st Quarter	(168.41)	1,052.65	(168.41)	-
03/28/17	Kevin adjusts RE2016, 1st Quarter	-	814.04	-	(238.61)
03/28/17	Kevin adjusts RE2016, 2nd Quarter	(168.41)	645.63	(168.41)	-
03/28/17	Kevin adjusts RE2016, 2nd Quarter	-	407.02	(238.61)	-
03/31/17	Web payment by [REDACTED] for RE2016, 3rd Quarter	(168.41)	-	-	-
	<b>FINAL BALANCE DUE</b>	\$ -	\$ -	\$ (743.84)	\$ (477.22)

**Subject:** RE: Follow-Up Meeting w/ Kevin Brown

**Date:** Monday, June 26, 2017 at 7:45:31 PM Eastern Daylight Time

**From:** City Treasurer

**To:** John Hanson

John,

Thanks for the meeting. I just got home. I remember you asking was there anything else, but I wasn't really listening at that point. My response was no. Now, I remember and I apologize that I didn't share this with you earlier.

On some days, I would close my drawer after everyone left. I took \$5, 10, or \$20 out of the drawer and into my pocket to spend. My drawer was short on the report, but it was short because of me. Sometimes, I put it back into the petty cash drawer, sometimes I didn't put it back. This stems from my \$[REDACTED] bi-weekly allowance.

I have to learn to live within my means. I apologize for not sharing earlier, but I was in another world after I shared my petty cash story. Thank you and have a great evening!

Sincerely,

**Kevin A. Brown**

**City Treasurer**

**Phone (804) 733-2322**

**Cell (804) 980-5976**

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**requesting utility billing information can find that information on our Etreasurer**

**website by customer name, address or account number.\*\***

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**From:** John Hanson [mailto:[jhanson@artificeforensic.com](mailto:jhanson@artificeforensic.com)]

**Sent:** Wednesday, June 21, 2017 7:49 PM

**To:** Kenon Thomas <[KThomas@pbmares.com](mailto:KThomas@pbmares.com)>; City Treasurer <[citytreas@petersburg-va.org](mailto:citytreas@petersburg-va.org)>

**Subject:** Re: Follow-Up Meeting w/ Kevin Brown

Kevin and Kenon Not sure what is up with my laptop's time zone settings. It seems to have changed on a recent trip. The meeting time is meant to be 2:30pm in the 2<sup>nd</sup> Floor Conference Room.

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**From:** Kenon Thomas <[KThomas@pbmares.com](mailto:KThomas@pbmares.com)>  
**Date:** Wednesday, June 21, 2017 at 7:44 PM  
**To:** John Hanson <[jhanson@artificeforensic.com](mailto:jhanson@artificeforensic.com)>  
**Subject:** RE: Follow Up Meeting w/ Kevin Brown

Is this supposed to be 2:30-4:30?

-----Original Appointment-----

**From:** John Hanson [<mailto:jhanson@artificeforensic.com>]  
**Sent:** Wednesday, June 21, 2017 7:42 PM  
**To:** Kenon Thomas; [citytreas@petersburg-va.org](mailto:citytreas@petersburg-va.org)  
**Subject:** Follow-Up Meeting w/ Kevin Brown  
**When:** Monday, June 26, 2017 2:30 PM-4:30 PM (UTC-08:00) Pacific Time (US & Canada).  
**Where:** 2nd Floor Conference Room - City Hall