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Office of the City Auditor

**Audit of the Sandbridge Tax Increment Financing and  
Sandbridge Special Service District Funds**

Report Date: March 13, 2020

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Office of the City Auditor  
2401 Courthouse Drive, Room 344  
Virginia Beach, Virginia 23456  
757.385.5870

*"Promoting Accountability and Integrity in City Operations"*



**Office of the City Auditor  
Audit of the Sandbridge Tax Increment Financing  
and Sandbridge Special Service District Funds**

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## **Office of the City Auditor**

*"Promoting Accountability and Integrity in City Operations"*

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## Office of the City Auditor Transmittal Letter

Date: March 13, 2020

To: Thomas A. Leahy, P.E., Acting City Manager

Subject: Sandbridge Tax Increment Financing and Sandbridge Special Service District Funds



I am pleased to present the report of our Audit of the Sandbridge Tax Increment Financing and Sandbridge Special Service District Funds. The purpose of our audit was to determine whether the Sandbridge Tax Increment Financing and Sandbridge Special Service District Funds were receiving revenues in accordance with the specified allocation rates and that the expenditures from those funds were appropriate. Findings considered to be of insignificant risk have been discussed with management. We completed our fieldwork on March 3, 2020.

The Office of the City Auditor reports to City Council through the Audit Committee and is organizationally independent of all other City Departments. This report is intended solely for the information and use of the Audit Committee, City Council, and appropriate City management. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

We would like to thank the management and staff of the Public Works Water Resources Division, Public Works Contracts Office, Controller's Office, Accounts Payable, and Budget and Management Services for their cooperation and responsiveness to our requests and questions during our audit.

If you have any questions about this report, or any audit-related issue, I can be reached at 385-5872 or via email at [lremias@vbgov.com](mailto:lremias@vbgov.com).

Respectfully submitted,

Lyndon S. Remias, CPA, CIA  
City Auditor

lsr/rc

c: City Council Members  
Audit Committee Members  
David A. Bradley, Acting Deputy City Manager  
Mark A. Johnson, Director of Department of Public Works  
Alice M. Kelly, Director of Finance  
Kevin M. Chatellier, Budget and Management Services Acting Co-Director  
Jonathan L. Hobbs, Budget and Management Services Acting Co-Director



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## Office of the City Auditor Audit of the Sandbridge Tax Increment Financing and Sandbridge Special Service District Funds

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### **Purpose**

To determine whether the Sandbridge Tax Increment Financing (TIF) and Sandbridge Special Service District (SSD) Funds were receiving revenues in accordance with the specified allocation rates and that the expenditures from those funds were appropriate.

### **Scope and Objectives**

The scope of the audit was for the period July 2016 - December 2019.

The objectives of the audit were to:

- Determine whether revenues from the Sandbridge SSD and TIF were properly allocated in accordance with the specified rates.
- Determine whether expenditures made from the Sandbridge SSD and TIF were appropriate.
- Evaluate the adequacy of Public Works' role in ensuring that work performed in Sandbridge Beach are according to the City's goals.

### **Methodology**

To accomplish our objectives, we performed the following:

- Interviewed management and staff of the Public Works Water Resources Division, Public Works Contracts Office, Finance Department Controller's Office, and Budget and Management Services.
- Reviewed financial data, reports, spreadsheets, correspondence, and other relevant documents.
- Performed analysis and tests of data designed to identify trends and high-risk criteria.
- Selected expenditure samples and traced them to supporting documents.
- Conducted an onsite visit to observe the progress of the public beach access project and beach maintenance work.
- Made recommendations, as appropriate, to ensure compliance, improve processes, increase efficiency, and reduce the risk of loss to the City.

### **Standards**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained during this audit provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Office of the City Auditor reports to City Council through the Audit Committee and is organizationally independent of all City Departments. This report will be distributed to the City's Audit Committee, City Council, and appropriate management within the City of Virginia Beach. This report will also be made available to the public through the Office of the City Auditor's webpage.



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### Background<sup>1</sup>

Sandbridge is a community located in the southeastern part of Virginia Beach with the Atlantic Ocean to the east, Back Bay of the Currituck Sound to the west, Dam Neck Naval Training Center to the north, and Back Bay National Wildlife Refuge to the south. The community primarily consists of single-family dwellings and two condominium complexes that serve as year-round residences or short-term rentals.



Aerial view of Sandbridge Beach  
Source: Virginia Beach Public Works

Sandbridge is a popular destination due to its nearly five miles of pristine beach. Sandbridge Beach provides a picturesque and tranquil setting that locals and thousands of out-of-town visitors enjoy all year round. However, as with most beaches in the East Coast, Sandbridge Beach is constantly confronted with a critical erosion problem – 300,000 cubic yards of its sand flow to the ocean annually. As much as 8 feet per year of beach disappears in Sandbridge because the shape of the ocean floor focuses wave energy on the shore.<sup>2</sup>

Daily and storm erosion in Sandbridge Beach directly threatens destruction of private and public infrastructure. Sandbridge Beach is a barrier between the Atlantic Ocean and Back Bay, and the threat of a breach of this barrier increases as erosion goes unchecked. Such a breach would destroy the freshwater ecosystem of Back Bay, the home of two national wildlife refuges, and would contaminate the City of Chesapeake's North Landing River potable water source; and inundate thousands of acres of vital agricultural land. It would also destroy two primary access roads, stranding one-third of the Sandbridge population without water or power.

The federal government conducted several reports primarily by the Army Corps of Engineers (USACE) dealing with beach erosion controls and/or hurricane protection for the Atlantic coastline in Virginia Beach before 1990.<sup>3</sup> The reports seldom considered Sandbridge Beach and, whenever they did, the consistent conclusion was that such measures were not economically justified. However, that changed in 1992 when the Water Resources Development Act (WRDA) authorized the Sandbridge Beach Erosion Control and Hurricane Protection Project as part of a uniform level of protection against 100-year storms. The project requires the initial construction and periodic

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<sup>1</sup> Unless otherwise specified, information was taken from internal sources, such as the City Code, interviews, and various publications and correspondence.

<sup>2</sup> [http://www.beachapedia.org/State\\_of\\_the\\_Beach/State\\_Reports/VA/Beach\\_Erosion](http://www.beachapedia.org/State_of_the_Beach/State_Reports/VA/Beach_Erosion)

<sup>3</sup> <https://www.nao.usace.army.mil/About/Projects/SandbridgeHurricaneProtection.aspx>



## Office of the City Auditor Audit of the Sandbridge Tax Increment Financing and Sandbridge Special Service District Funds

nourishment of Sandbridge Beach. WRDA specified a cost sharing arrangement in which the federal government's share is 65% and the City of Virginia Beach for the remaining 35%.

### Special Service District (SSD) as a Funding Source

The City and the Sandbridge property owners relied on the WRDA authorization and created the "special service district" as a means of funding the nourishment of Sandbridge Beach as of January 1, 1995. A special service district is an area within the city where special services are rendered and the costs are paid from revenues collected from the products and/or services provided by that district.

The purpose of the Sandbridge SSD is to provide financing for the local share of any beach and shoreline management and restoration project within the service district. This purpose shall include maintenance of the recreational amenity that is the Sandbridge Beach, including services required to provide beautification, access, and upkeep of the beach. All taxes levied and collected within the SSD shall only be used to pay, in either whole or part, the expenses and charges for providing and maintaining facilities and services related to beach and shoreline management and restoration within the special service district.



Sandbridge Special Service District

Source: Virginia Beach Public Works

Funding for the Sandbridge SSD comes from a surcharge on real estate assessments and lodging taxes with additional funding from Little Island Park operations and parking lot revenues. See Table 1.



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**Table 1: FY 2020 Funding for the Sandbridge Special Service District**

Revenue	Budget	Percentage
Real Estate Surcharge (6 cents)	\$ 735,502	13.6%
Lodging Taxes (6.5% plus \$1 nightly rate)	\$ 4,165,452	76.9%
Parking	\$ 65,000	1.2%
Interest Income	\$ 7,037	0.1%
SSD Fund Balance	\$ 447,074	8.2%
<b>Total</b>	<b>\$ 5,420,065</b>	<b>100%</b>

Source: Budget and Management Services Department

- Current real estate tax rate for Sandbridge is \$1.0775 per \$100 of assessed value, which is higher by six cents compared with the general property tax rate of \$1.0175 per \$100 of assessed value. The original amount for Sandbridge was six cents, increased to twelve cents in FY 1999, and then reduced to six cents in FY 2007, where it remains today.
- Lodging tax rate within the Sandbridge SSD is 9.5% and is allocated as follows: 2% to the General Fund, 1% to the Tourism Advertising Program (TAP) Fund, and 6.5% to the Sandbridge SSD Fund. A \$2 lodging flat fee is also collected where \$1 goes to the SSD Fund and the other \$1 goes to the Tourism Investment Program (TIP) Fund.
- Parking revenue is a fixed yearly amount transferred from the Parking Enterprise Fund, as there are two fee-based parking lots in Sandbridge. The amount may be adjusted, as needed.
- Interest income is a prorated amount for Sandbridge from the City’s total interest earnings on its bank balances.

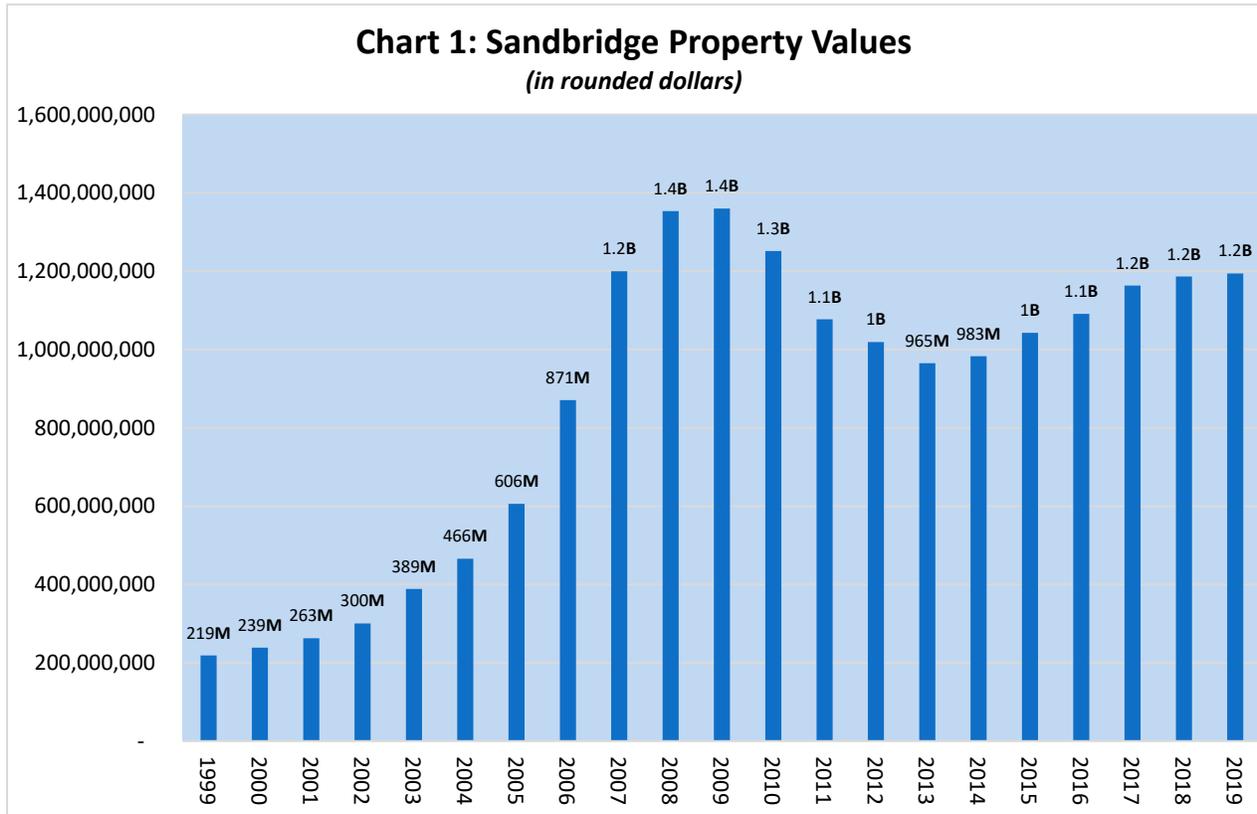
Sandbridge SSD revenues have significantly increased since its establishment 25 years ago, from less than \$100 thousand to \$5 million. This is due to the rise in surcharge revenues resulting from the generally increasing property values brought about by public infrastructure improvements and new, bigger, and more expensive houses. Lodging tax revenues from rentals have also significantly risen due to infrastructure improvements and new development. Sandbridge property assessment values increased from \$219 million in FY 1999 to almost \$1.2 billion in FY 2019, which led to significantly higher real estate tax revenues (see Chart 1).

Charts 2 through 4 below show the SSD’s revenues, expenditures, and ending balances. Please note that expenditures are comprised of actual expenditures charged in the fund itself and monetary transfers to an active Capital Improvement Project (CIP), if any. A prior year’s expenditures and/or transfers may have covered transactions for the current year; therefore, it is plausible that no expenditures or transfers have occurred within the current year. A CIP is an undertaking that adds permanent structural change or restoration, which enhances a property’s value, such as beach nourishments and beach access improvements.

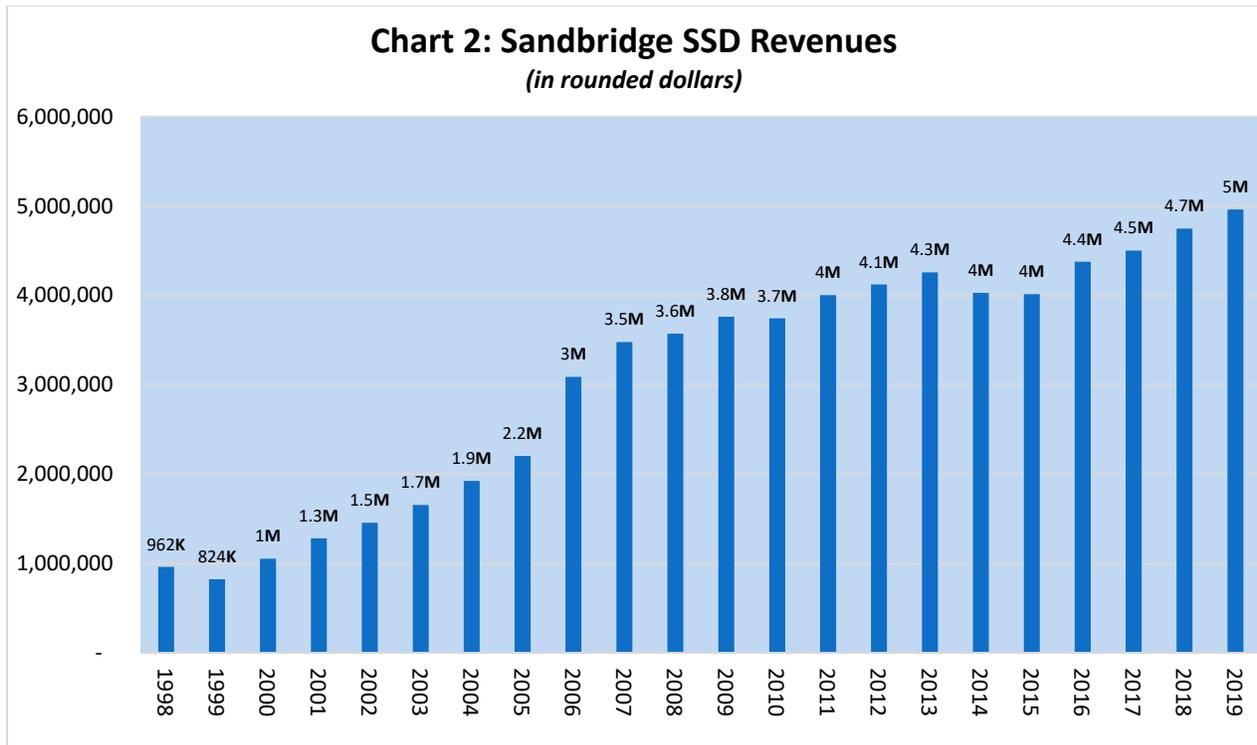


# Office of the City Auditor

## Audit of the Sandbridge Tax Increment Financing and Sandbridge Special Service District Funds



Source: Controller's Office

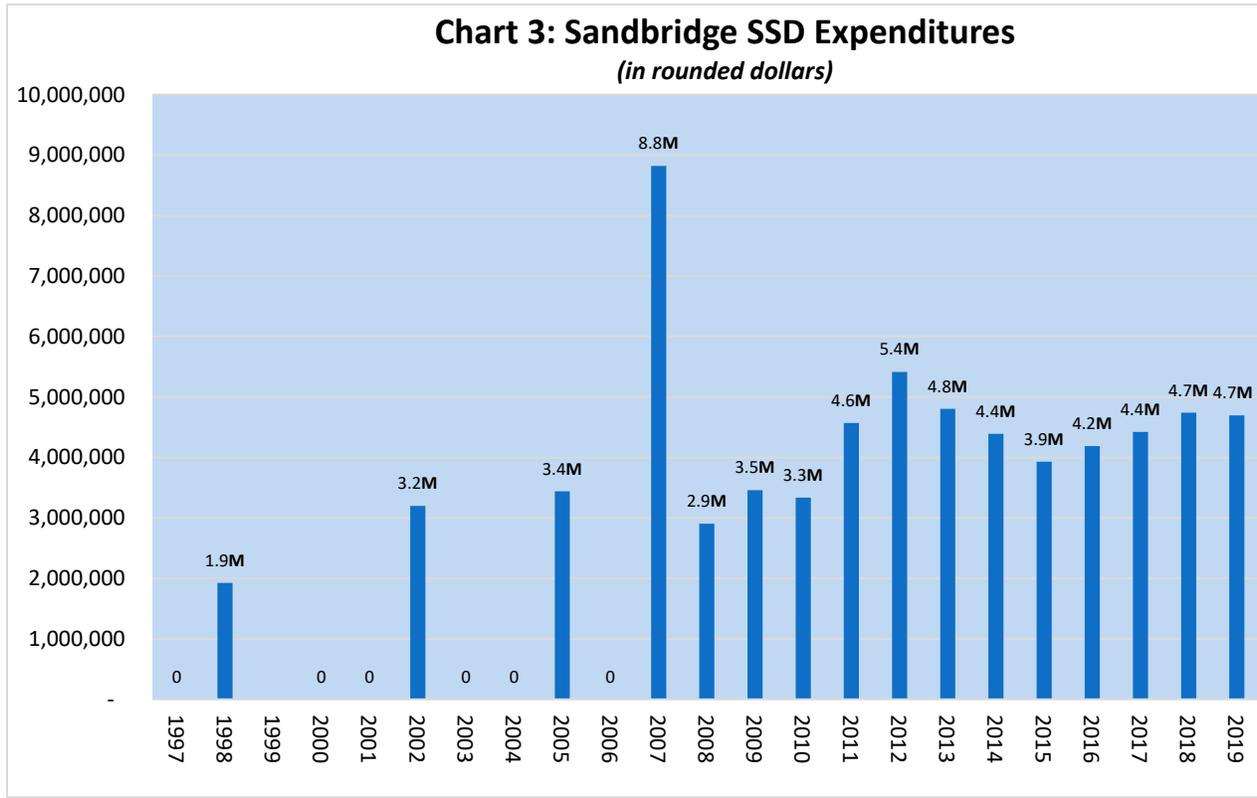


Source: Comprehensive Annual Financial Reports (CAFR)

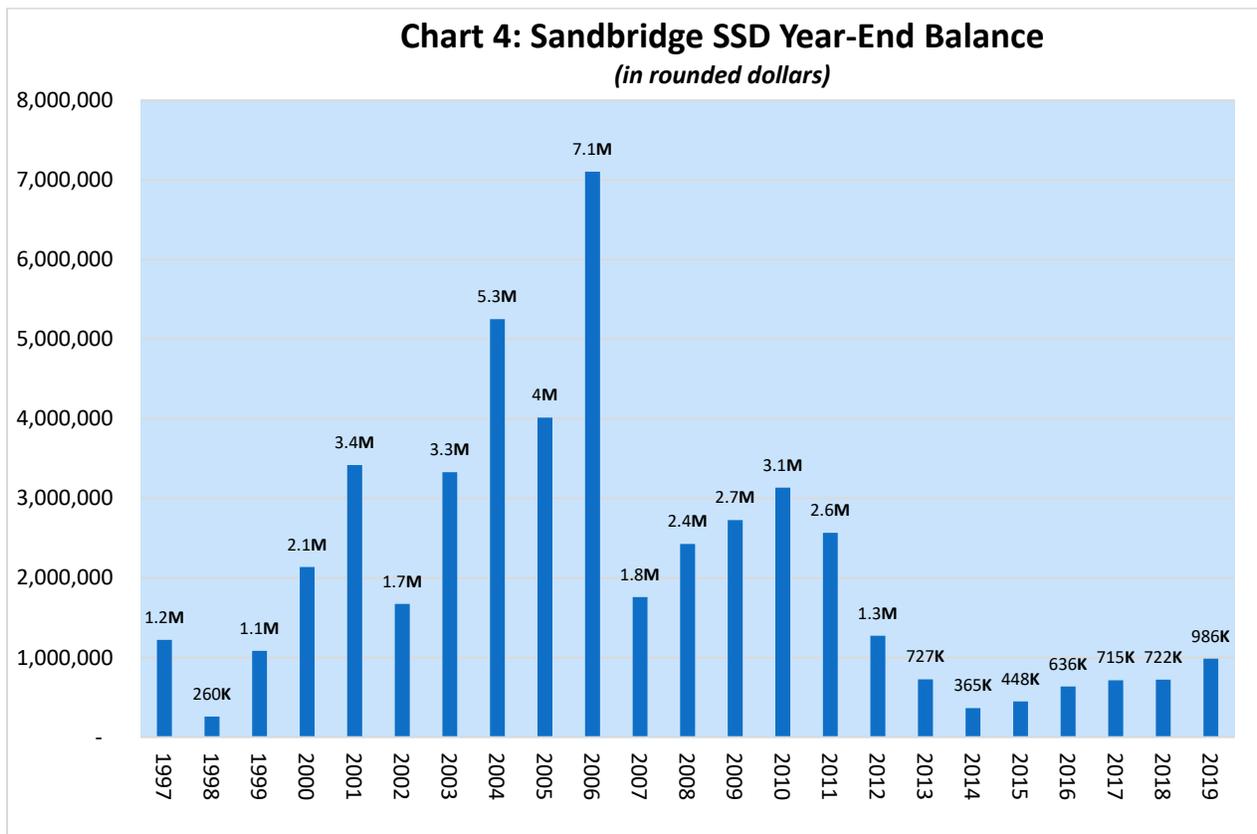


# Office of the City Auditor

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Source: Comprehensive Annual Financial Reports (CAFR)



Source: Comprehensive Annual Financial Reports (CAFR)



## Office of the City Auditor Audit of the Sandbridge Tax Increment Financing and Sandbridge Special Service District Funds

### Tax Increment Financing (TIF) as a Funding Source

The Sandbridge TIF District was created by an ordinance approved by City Council on December 1, 1998. TIF is a financial technique designed to help stimulate positive economic activity within a district by using the real estate taxes generated within that district to pay for public improvements. The City's goal is to provide funding, *in addition to that provided by the Sandbridge SSD*, for beach and shoreline management and restoration projects. These projects include the construction, maintenance, nourishment, and restoration of the public beach and shoreline in the Sandbridge District, as needed, to combat erosion that threatens damage to public and private infrastructure.

Essentially, the City established the FY 1998 assessment of the Sandbridge District as the base year and froze that amount. This base year assessment (frozen) value was \$206.1 million. The real estate tax is applied to the difference between each year's "current assessment value" and the "base year assessment value." The resulting taxes are the "tax increment" and paid into the TIF Fund. Taxes paid on the base year assessment continue to flow to the general fund each year.

A key factor is that the General Fund, each year, receives relatively the same dollar amount of real estate taxes as it received before the TIF was adopted. Only the increase (increment) brought about by the new development and further growth is used in the TIF District.

A second key factor is that the tax rate is not increased in a TIF district. Property owners pay no greater rate than the general City property tax rate. This can be contrasted with a SSD in which an increased tax rate (surcharge) is applied. One of the features of a TIF is that the City may dissolve a TIF district fund when all its obligations and/or commitments have been paid.



Sandbridge Beach  
Source: [VisitVirginiaBeach.com](http://VisitVirginiaBeach.com)

Charts 5, 6, and 7 below show the TIF's revenues, expenditures, and ending balances. As previously mentioned in the SSD section, the expenditures are comprised of actual expenditures charged in the fund itself and monetary transfers to an active Capital Improvement Project (CIP), if any. A prior year's expenditures and/or transfers may have covered transactions for the current year; therefore, it is plausible that no expenditures or transfers have occurred within the current year.

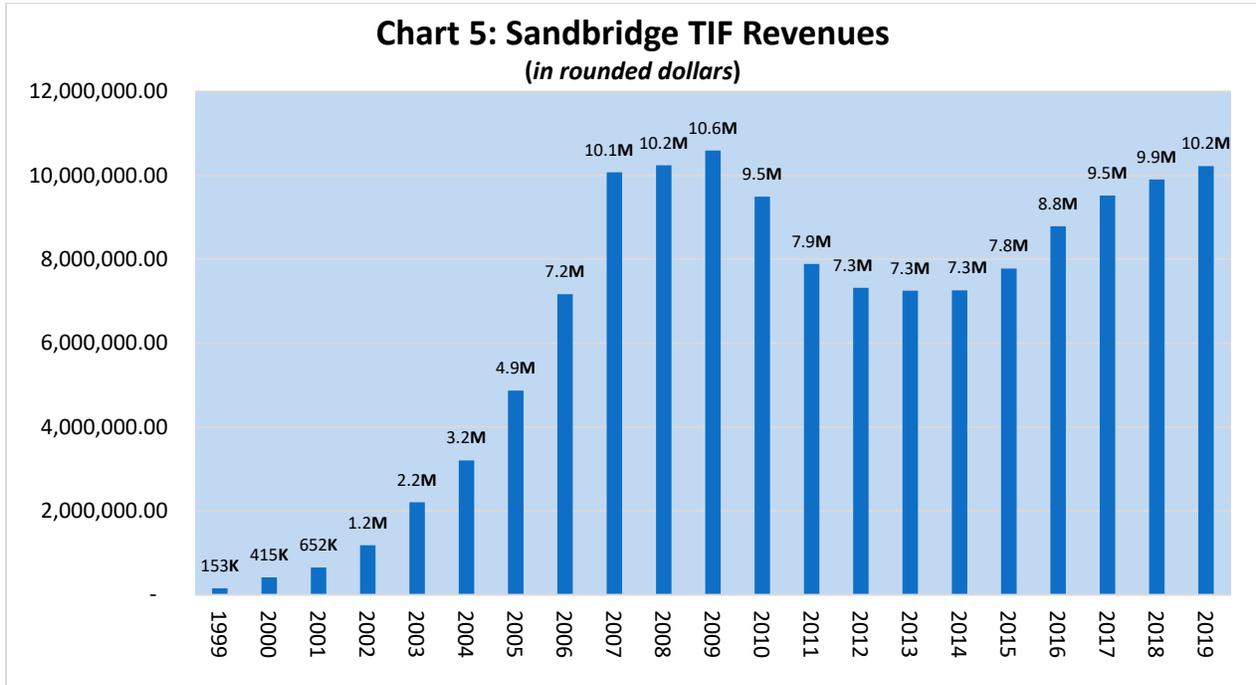
The rising Sandbridge property values also described in the SSD section have naturally boosted TIF revenues over the years. Since revenue growth of both SSD and TIF have outpaced expenditures, City Council, per City management's recommendations, decided to transfer the excess revenues



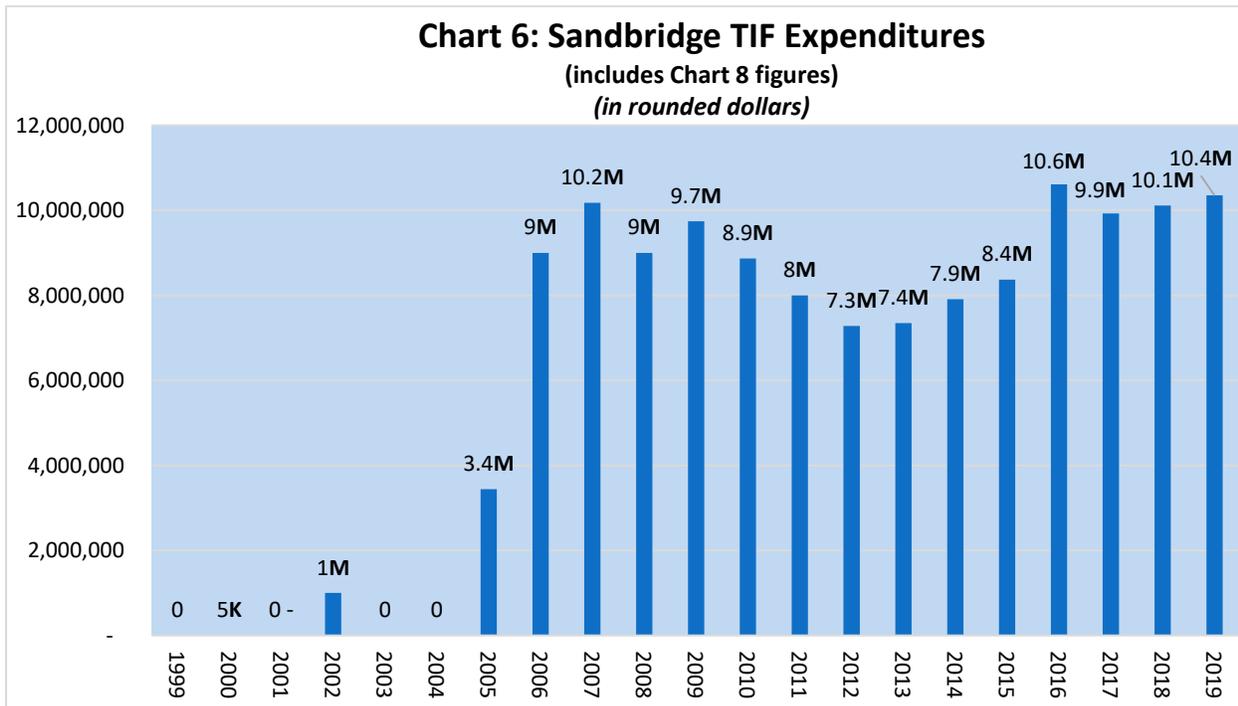
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to the General Fund starting FY 2006. From 2006 to 2019, the total amount transferred was \$112.1 million (see Chart 8). During FY 2020, City Council and City management will assess the necessity for a transfer to the General Fund during the fiscal year.



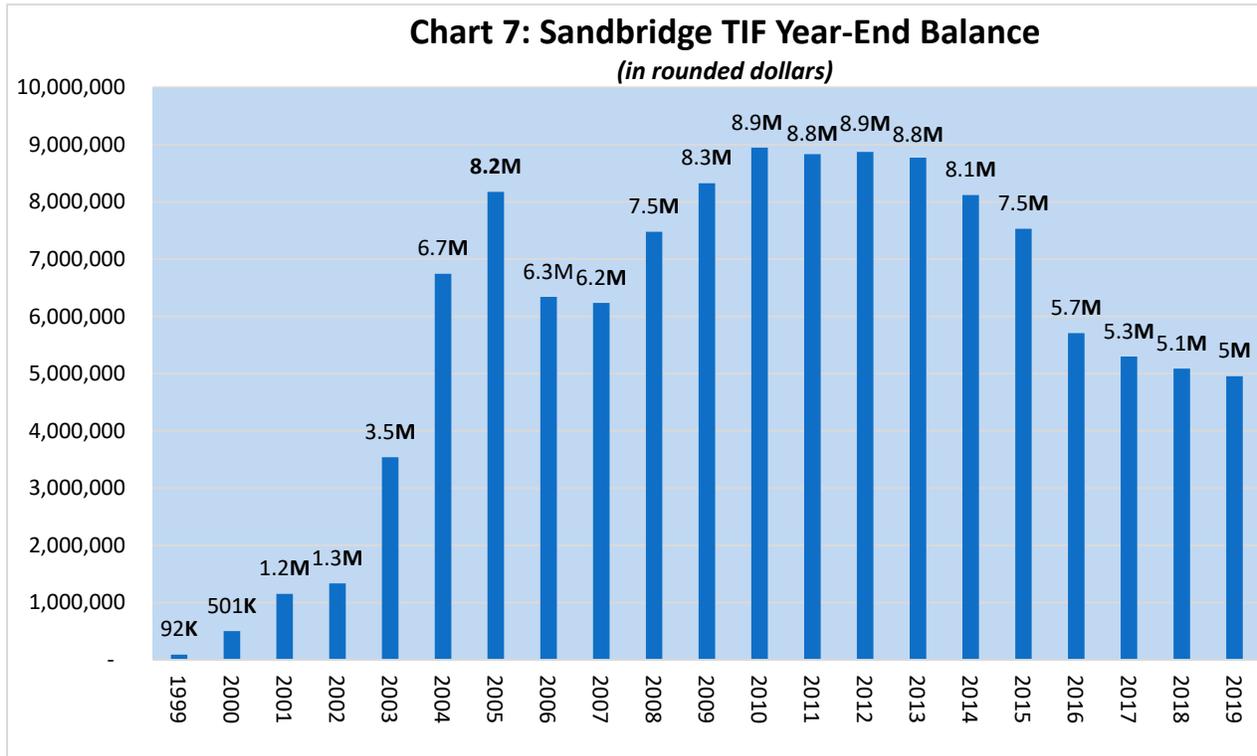
Source: Comprehensive Annual Financial Reports (CAFR)



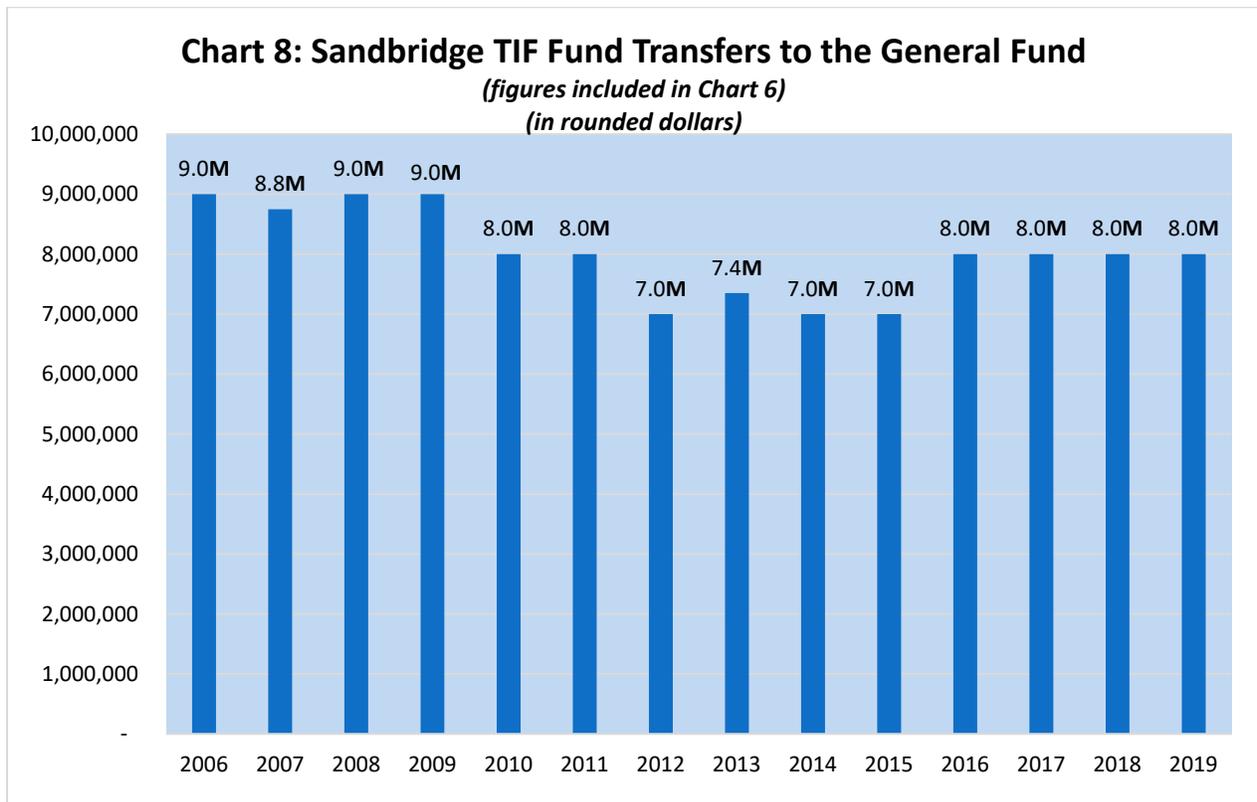
Source: Comprehensive Annual Financial Reports (CAFR)



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Source: Comprehensive Annual Financial Reports (CAFR) and Budget and Management Services Department



Source: Comprehensive Annual Financial Reports (CAFR)



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### Public and Private Partnership

The partnership between the City and property owners, through SSD and TIF, and the federal government, through funding appropriations, has made a positive impact to Sandbridge Beach that includes restored beach conditions, increased property values, and improved public and private infrastructure.

#### ➤ Beach Nourishments

The City and the USACE project cooperative agreement (PCA) provides for recurring nourishments over the next fifty years. While the plan is to fund the project through a cost participation between the City (responsible for 35%) and the federal government (responsible for 65%), concerns about the federal government deficit and some actions taken by Congress could result in no federal funding being available for this project in the future. However, the rise in SSD and TIF revenues over the years since their establishment have alleviated these concerns.

Nourishment for Sandbridge is performed on a cyclical basis (see Table 2). City Council instituted a goal of having adequate funding for, at least, two cycles. There are currently two CIPs to address this goal:

- CIP 8-010000 Sandbridge Beach Restoration II – Established to manage funding for the 2020 nourishment.
- CIP 8-026000 Sandbridge Beach Restoration III – Established to manage funding for future nourishment cycles that occur after the planned 2020 event.



Before and after pictures of Sandbridge Beach nourishment  
Source: Virginia Beach Public Works



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**Table 2: Sandbridge Beach Nourishment Information**

Year	Volume of Sand	Cost	Cost Sharing
1998 - Initial Nourishment	1.5 million cubic yards	\$8 million	100% City funded
2003 - First Cycle	1.7 million cubic yards	\$11 million	65% federal, 35% City
2007 - Second Cycle	2.0 million cubic yards	\$10 million	approx. 20% federal, 80% City
2013 - Third Cycle	2.2 million cubic yards	\$19 million	100% City funded
2020 - Fourth Cycle <sup>Note 1</sup>	1.7 million cubic yards	\$20 million	100% City funded

- Source: Public Works' Sandbridge Beach Restoration Program Update on April 17, 2017, but updated to include additional information.
- Note 1: Originally scheduled for 2019, but the Bureau of Ocean Energy Management (BOEM) had a delay in issuing its release for the project due to limited capacity in the industry.

Initially, the planned nourishment cycle was every three years but that has since changed to every six years. In recent nourishments, more than three years of suitable material has been placed with each successive nourishment cycle; thus extending the nourishment interval. The additional material and longer nourishment interval provides several positive benefits including a higher level of storm protection, a wider recreational beach, an acceleration of dune growth, less frequent disruptions, and overall project cost savings.

### ➤ Beach Access Improvements

In 2006, City Council approved a CIP to provide for the design and construction of improved beach access to Sandbridge beach, while minimizing impact to natural areas and dunes. This project, first appeared in the FY 2007 CIP, has been revised to reflect the installation of two to three accesses per year and funding to manage windblown sand in the Sandbridge right-of-ways and recycle that sand back to the beach. This project is funded through the Sandbridge SSD Fund.



One of the newly constructed public beach access.  
Source: Virginia Beach Public Works

Of the City's fifty-one public beach accesses, there were initially twenty-four stairways over existing bulkheads and twenty-seven sandy paths over the nearly five miles of beach that needed improvements. Where the dunes are present, the walkways minimizes pedestrian damage while affording increased protection for public and private infrastructure. This is a multi-year, multi-



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phase project, with the first phase completed in 2011 and will continue until all fifty-one public beach accesses are completed. This project is under CIP 8-045000 Sandbridge Beach Access Improvements II.

### ➤ Beach Maintenance

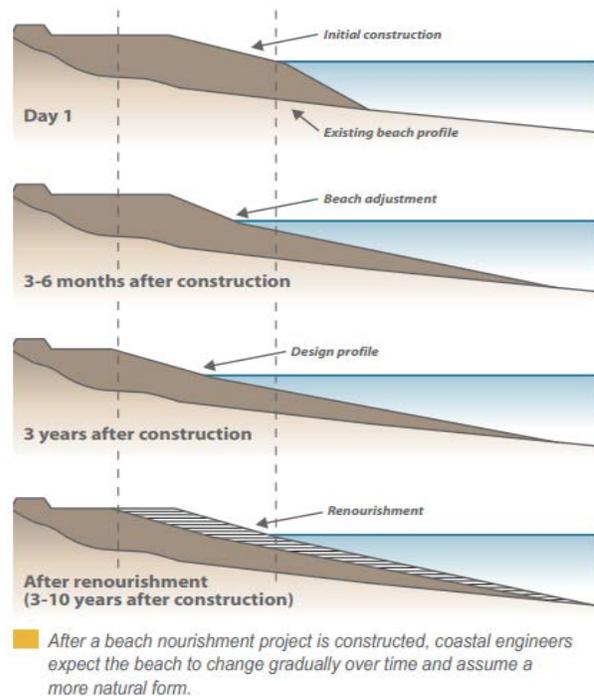
Maintaining cleanliness and upkeep in Sandbridge Beach is necessary for maintaining a safe environment, attracting visitors, saving marine animals, and preserving the beauty of the environment. Prior to 2018, there was no full-time crew assigned exclusively to Sandbridge Beach. Due to the growing number of visitors in Sandbridge Beach, property owners requested a full-time maintenance crew. City Council agreed, and in 2018, the City assigned three full-time Public Works employees to perform maintenance services for the beach and public access.

Sandbridge now gets the same level of service as the City's resort area. That includes mechanized trash removal from the beach, returning wind-blown sand from the streets and public access to the beach, and leveling the beach surface. Investments were made for tractors, skid steers, surf rakes, trailers, and other necessary equipment. A storage building enclosure/carport was built to house the equipment just south of Little Island Park. All operational and capital expenditures are funded through the Sandbridge SSD Fund.

### Overview of Sandbridge Beach Nourishment

The City and the federal government have agreed that beach nourishment is the best way to protect and preserve the natural character of Sandbridge Beach. Although costly, beach nourishment is generally the preferred approach as it results in a wider, more stabilized beach while maintaining the natural coastal appearance. The beach is a natural sacrificial barrier designed to absorb wave energy during coastal storms and naturally erode away over time, requiring maintenance through nourishment.<sup>4</sup>

Through the PCA, the City partnered with the federal government, represented by the Army Corps of Engineers (USACE), for the initial construction and periodic nourishment of the Beach Erosion Control and Hurricane Protection Project.



Beach profile showing nourishment transformation  
Source: U.S. Army Corps of Engineers

<sup>4</sup> <https://www.nao.usace.army.mil/About/Projects/SandbridgeHurricaneProtection.aspx>



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*Initial construction* involves the provision of a beach berm that is six feet high, a minimum top width of 50 feet, and a distance of approximately five miles to cover the length of Sandbridge Beach. A beach berm is designed to reduce wave energy and acts as a protective barrier that prevents flooding and storm damage caused by storm surge, wave run-up, and overtopping.

*Periodic nourishment* involves the placement, after the end of the period of initial construction, of suitable beach fill material within the area of the initial construction or any functional portion of the area of initial construction. In the last nourishment, sand from the Sandbridge Shoal, the selected borrow site, was used as fill material.

Congress authorized the USACE to engage in shore protection. From 1950 through 2006, USACE has helped construct beach nourishment projects on approximately 350 miles of U.S. shoreline, with most projects on the Atlantic and Gulf Coasts.<sup>5</sup> Because of this, the USACE is the administrator of Sandbridge beach nourishment projects. The City's Public Works Department actively collaborates with USACE in every step of the project, such as monitoring the project's progress and providing local expertise.

Prior to each nourishment project, the City executes a transfer of funds to the USACE for the full amount of the City's expected funding share. At the conclusion of the project, the USACE performs a full reconciliation (i.e. true-up) of actual costs, which may result in an additional payment from the City or an issuance of a refund to the City.

As the project administrator, the USACE has many responsibilities. Among them are performing preliminary assessments, determining the total project cost, administering construction contracts, and coordinating with other government agencies. Below are a few examples of the work involved:

#### Preliminary work:

- Aerial surveys of beach topography are conducted to monitor conditions and the scope of the project.
- Suitable sand and borrow location is selected, with the permission from the Bureau of Ocean Energy Management (BOEM).
- A marine contractor for the project is selected. The contractor then mobilizes all the necessary personnel and equipment.



Beach nourishment in progress  
Source: Virginia Beach Public Works

<sup>5</sup> <http://asbpa.org/wpv2/wp-content/uploads/2016/04/HowBeachNourishmentWorksPrimerASBPA.pdf>



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During construction:

- Pipes are laid from the beach, going underwater, and then connected to the vessel.
- A dredge vessel dredges and collects the sand and stores them in its large hopper.
- Sand is transported through the underwater pipes and pumped to the designated locations in the beach.
- Tractors and other construction vehicles move the sand evenly along the beach.
- Pipes are then incrementally adjusted to the beach construction area as the project progresses.



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**Results – Revenue**

**1. Revenues Collected Were Properly Allocated**

We determined that the process for allocating Sandbridge SSD and TIF revenues according to established rates is adequate. Our review included evaluating the process for gathering various revenue data and recording to the general ledger, examining allocation spreadsheets and supporting documents, and identifying associated internal controls that ensure accuracy and appropriateness.

We noted that the integrity of the revenue process rests on the foundation of segregating duties among several City departments.

- Property assessments performed by the Office of the City Assessor establishes the value of the properties.
- Factual data and collaboration from Public Works and other departments are used by Budget and Management Services to develop and monitor the budgets.
- Tax revenues are collected and entered in the accounting ledgers by the Office of the City Treasurer.
- Allocating tax revenues to the proper accounts are made by the Controller’s Office.

We also noted that the allocation process performed by the Controller’s Office was well established and management’s monitoring and oversight ensured that amounts were accurate. See Table 3 for the allocation of lodging taxes.

<b>Table 3: Allocation of the Lodging Taxes Collected at Sandbridge</b>				
<b>Lodging Taxes Collected</b>	<b>Go To</b>			
	<b>Sandbridge SSD</b>	<b>Tourism Advertising Program (TAP) Fund</b>	<b>Tourism Investment Program (TIP) Fund</b>	<b>General Fund</b>
9.5% of the total amount paid for lodging	6.5%	2.0%	0	1.0%
Flat rate of \$2	\$1	0	\$1	0

**Finding 1: Annual Contribution from Parking Enterprise Fund to the Sandbridge SSD**

Twenty-five years ago, an ordinance establishing the Sandbridge SSD Program included in the funding mechanism, “A direct contribution generated from profits at Sandbridge parking lots operated by the Parking Enterprise Fund of \$10 thousand effective January 1, 1995, and \$20 thousand annually inflated at 3% per year for every year thereafter.” The annual contribution



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for FY 2020 from the Parking Enterprise Fund to the Sandbridge SSD is \$65 thousand, which comprises 1.2% of the total SSD budget of \$5.4 million.

Due to the growth of the Sandbridge SSD, it may no longer be necessary to redirect funds from the Parking Enterprise Fund to the Sandbridge SSD. Instead, the annual contribution of \$65 thousand can remain in the Parking Enterprise Fund to meet parking operations or CIP needs, such as the maintenance of lots and garages.

### **Recommendation:**

- 1.0 Consider revising the ordinance to eliminate the annual contribution of parking funds to the Sandbridge SSD.

## **Results – Expenditures**

### ***2. Overall, Expenditures From the SSD and TIF Were Appropriate***

Overall, we determined that the process over Sandbridge SSD and TIF expenditures is adequate. We did identify a finding pertaining to unrelated charges to a Sandbridge CIP. Our review included understanding the process of charging expenditures, testing a sample of expenditures by tracing to supporting documentation, and identifying associated internal controls that ensure accuracy and appropriateness.

Evidence of review by Public Works management was present in all 74 samples that we tested; the number of samples comprises 25% of 302 non-payroll-related expenditures. In addition to management's review, CIP expenditures were further reviewed by the Public Works Contracts Office to ensure that the each CIP's total actual expenditures does not exceed the contract amount.

### **Finding 2: Erroneous Charges**

Five expenditures totaling \$7,295 were erroneously charged to CIP 8-010000 Sandbridge Beach Restoration II instead of CIP 8-021000 Croatan Beach. These were for a work order to conduct a series of helicopter-based Light Detection and Ranging (LIDAR) surveys and aerial photography for the subaerial beach and dune system over Sandbridge Beach and Croatan Beach. The cost was supposed to be shared equally between the two projects, but management overlooked that during its review. Despite this, we deem that the error was a lapse and not systemic based on our observation of the adequacy of the internal control structure and the absence of other exceptions in our testing.

### **Recommendation:**

- 2.0 Management should thoroughly review expenditures prior to payment to ensure that they are valid, complete, and charged to the proper CIP.



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### **Results – Monitoring**

#### ***3. Public Works is Actively Involved In Managing Sandbridge Beach Projects***

We determined that Public Works is actively managing CIP and operational work performed in Sandbridge Beach. Our review included obtaining evidence of 1) monitoring beach conditions and topography, 2) active participation in sand replenishment activities conducted by the USACE, 3) managing public beach access improvements, and 4) performing beach maintenance.

Our opinion is based on our interviews with management and staff about their roles, review of evidentiary documents, and onsite visit to observe first-hand the completed public beach access and maintenance activities.

### **Conclusion**

Overall, we determined that the Sandbridge Tax Increment Financing and Sandbridge Special Service District Funds were receiving revenues in accordance with the specified allocation rates and that the expenditures from those funds were appropriate.

### **Acknowledgements**

We would like to thank the management and staff of the Public Works Water Resources Division, Public Works Contracts Office, Controller's Office, Accounts Payable, and Budget and Management Services for their cooperation and responsiveness to our requests, questions, recommendations, and suggestions.



# City of Virginia Beach

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2405 COURTHOUSE DRIVE  
VIRGINIA BEACH, VA 23456

## INTER-OFFICE MEMORANDUM

**DATE:** March 12, 2020

**TO:** Mr. Lyndon S. Remias, CPA, CIA, City Auditor

**FROM:** <sup>MAX</sup> Mark A. Johnson, P.E., Director of Public Works

**SUBJECT:** Audit of the Sandbridge Tax Increment Financing and Sandbridge Special Service District Funds

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Public Work has reviewed the draft audit report dated, March 13, 2020 and offer the following actions and comments with respect to the findings and recommendation.

### Finding 1:

Five expenditures totaling \$7,295 were erroneously charged to CIP 8-010000 Sandbridge Beach Restoration II instead of CIP 8-021000 Croatan Beach.

### Action:

An ADI was posted on January 29, 2020 to correct the erroneously charge worked order for the series of helicopter-based Light Detection and Ranging (LIDAR) surveys and aerial photography.

### Finding 2:

Consider revising the ordinance to eliminate the annual contribution of parking funds to the Sandbridge SSD

### Action

*The Department of Budget and Management Services agrees with this recommendation, which will provide additional resources for the Parking Enterprise Fund to address the capital and maintenance needs of the parking facilities managed by the City. At a future date, the Department of Budget and Management Services will send to City Council a revision to the Sandbridge Special Service District (SSD) Ordinance that will eliminate this contribution to the SSD.*

Lyndon S. Remias, City Auditor  
Results of Audit of the Sandbridge Tax Increment Financing and Special Service District  
Funds  
March 12, 2020  
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If you have any comments or questions, please let me know. I can be reached at 385-8740 or via email at [MAJohnso@vbgov.com](mailto:MAJohnso@vbgov.com).

C: David Bradley, Acting Deputy City Manager  
Dan Adams, Engineer IV  
Tony Gonzalez, Senior Auditor