



City of Virginia Beach

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November 17, 2020

Patrick A. Duhaney, City Manager
City Manager's Office
City of Virginia Beach
2401 Courthouse Drive
Virginia Beach, VA 23456

Subject: Results of Agreed-Upon Procedures for the Real Estate and Personal Property Tax Relief Program

Dear Mr. Duhaney,

We have performed the procedures listed below, which were agreed to by management with respect to the Real Estate and Personal Property Tax Relief Program, to determine whether the process for reviewing and approving applications is according to policy. The program provides financial assistance to eligible Virginia Beach residents who are experiencing financial hardship due to the impacts of COVID-19.

We were not engaged to perform and did not perform an audit, the objective of which would have been the expression of an opinion or limited assurance. Accordingly, we do not express such an opinion. Had we performed additional procedures; other matters may have come to our attention that would have been reported to you. We completed the agreed-upon procedures on October 20, 2020.

This report is intended solely for the information and use of the City Manager's Office, the Department of Finance and City leadership. 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.

This agreed-upon procedures engagement was conducted in accordance with Government Auditing Standards (GAS). GAS incorporates financial and attestation standards established by the American Institute of Certified Public Accountants. These standards also provide guidance for performing and reporting the results of agreed-upon procedures. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the

sufficiency of the procedures described herein either for the purpose for which this report has been requested or for any other purpose.

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, City Manager, and appropriate management within the City. This report will also be made available to the public through the Office of the City Auditor's webpage.

Background

The Real Estate and Personal Property Tax Relief Program provides tax relief for eligible households where an occupant has experienced unemployment, furlough, or reduction in compensation at any time after March 1, 2020 due to the COVID-19 pandemic. Even individuals who are gainfully employed at the time of relief application may still qualify based on the program requirements. A maximum relief of \$500 for residential real estate taxes and \$250 for personal property tax have been established for eligible households, potentially providing a maximum total of \$750. The amount of relief is the billed total or the benefit maximum, whichever is lower.

The program is managed by the Department of Human Services (DHS) and supported by other City departments, such as Finance, and Information Technology. Through effective planning and execution, the program was successfully created and implemented within the three-week deadline. That included developing an eligibility criteria, building a new systems application, and providing training to DHS staff that did not have prior knowledge of personal property or real estate tax rules. DHS managers and the supervisor assigned to this program continue to fulfill their day-to-day responsibilities while administering the program.

The total approved funding is \$2 million, which was transferred from the General Fund to the DHS budget. Of the total funding amount, \$1.25 million is for the Real Estate Tax Relief program and \$750 thousand is for the Personal Property Tax Relief program. The funds are for relief payments only and exclusive of any operating costs.

The City first announced the program to the public on June 30, 2020 via press release; subsequent announcements of the program were made. Applicants can apply by email VBTaxRelief@vbgov.com or online at <http://www.vbgov.com/covid19taxrelief>. Applicants without internet access can apply by calling 311 or 757-385-3200.

The City initially anticipated a large influx of applications that would likely exhaust funding in a short period of time. The initial application period was set from July 1, 2020 to July 15, 2020. The initial plan was to review applications for completeness, and those deemed complete would be selected for review on a lottery basis. However, the actual application turn-out was low, prompting the City to extend the application deadline several times.

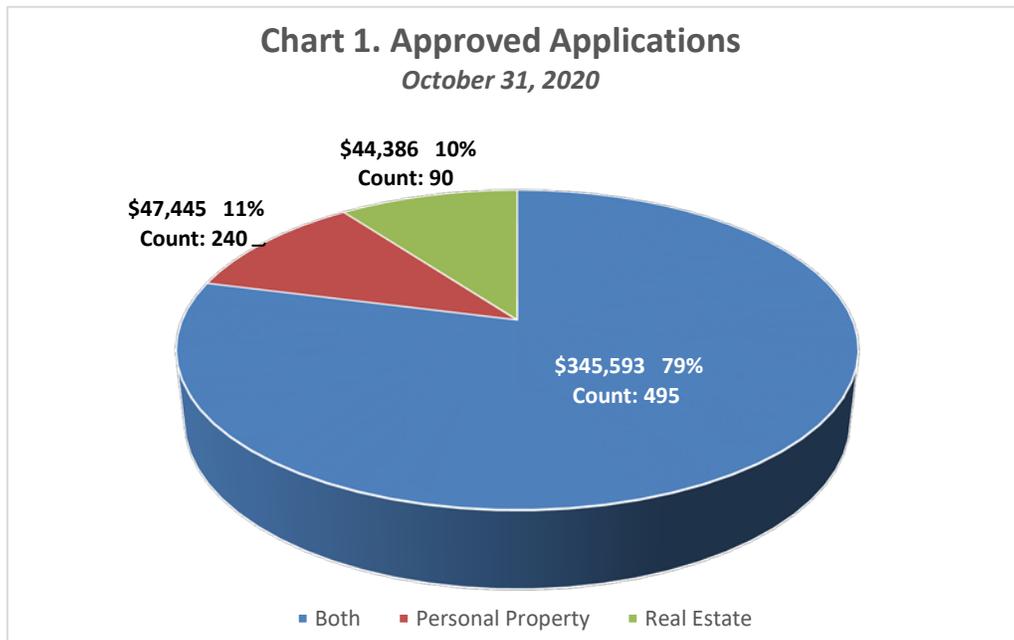
Patrick A. Duhaney, City Manager

Results of the Agreed-Upon Procedures for the Real Estate and Personal Property Tax Relief Program

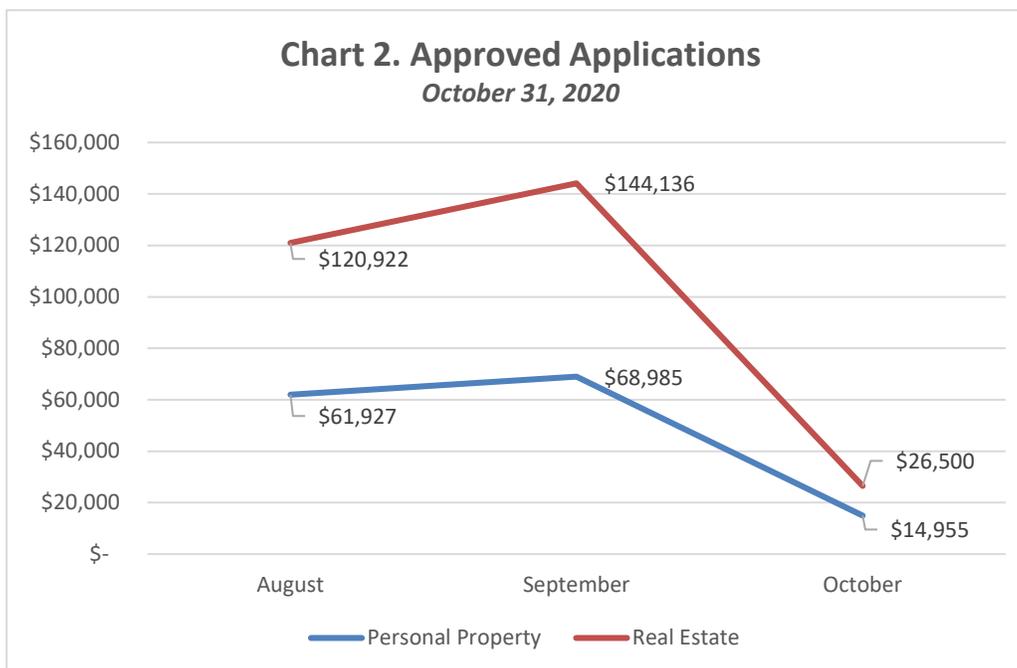
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Accordingly, the lottery system was never implemented, and applications are reviewed and considered for relief as received. The City has decided to extend the program until November 30, 2020. As of October 31, 2020, the total approved relief amount was \$437 thousand, which is 22% of the funding total.



Source: Real Estate and Personal Property Tax Relief Program CRM System



Source: Real Estate and Personal Property Tax Relief Program CRM System

Note: October's figures were low because the CRM System was down for over one week.

Program eligibility requirements and restrictions are as follows:

Eligibility Requirements and Restrictions	
	A copy of the 2020 real estate and/or personal property tax bill
	An applicant must have established Virginia Beach residency as of March 1, 2020 through at least one of the following documents: <ul style="list-style-type: none"> • Address on Virginia Employment Commission (VEC) letter dated on or after March 1, 2020, or • Recent utility bill highlighting name and address for relief, or • Current rental agreement highlighting name and address for relief
	At least one of the following documents must be provided to establish if the applicant is unemployed, furloughed, or have reduced compensation at any time after March 1, 2020 due to the COVID-19 pandemic: <ul style="list-style-type: none"> • VEC notice of benefits award letter dated on or after March 1, 2020, or • Formal notice of termination of employment letter dated on or after March 1, 2020, or • Formal notice of layoff, furlough or reduction in hours of compensation letter dated on or after March 1, 2020
	Only one application per household is allowed. Relief is not guaranteed and is dependent on eligibility and availability of funding.
	Potential beneficiaries may only claim their primary residence for relief – no rental or second properties are eligible. Late fees, penalties, or interest are also not eligible.

The steps involved in the application process are as follows:

Application Process	
	An applicant creates an account online and enters tax billing account and address information for the system to validate eligibility. If so, the applicant then completes the application form and uploads the required documentation.
	A tax relief processor reviews the application and enters a status update in the system.
	A supervisor reviews application meeting all eligibility criteria. If all requirements are met, the application is approved for payment.
	A manager then queries the payment file to verify that a) there are no payments greater than the maximum relief amounts and b) the payment for each application matches that in the CRM.
	The payment file is then submitted to Accounts Payable for check issuance.

In working with its IT vendor, the City developed a basic systems application portal in the new Salesforce customer relationship management (CRM) system for the program. A

key feature of the CRM is the real-time verification of the Geographic Parcel Identification Number (GPIN) associated with the billing address from which relief assistance is requested; thereby, preventing fraudulent applications and duplicate relief payments.

The procedures and associated findings are as follows:

- (1) In evaluating the process for reviewing eligibility and approving relief applications, we performed the following steps:
 - Walkthrough the processing and approving of applications to gain understanding and identify internal controls.
 - Gained read-only access to the CRM to closely review applications, management reports, and other functionalities.
 - Judgmentally selected a sample of applications for testing.
 - Assessed the design of the process to ensure that internal controls are properly implemented.

Based on our review, we deemed that the process for reviewing and approving applications is according to policy. However, we identified the following exception:

Some applications did not undergo supervisory review to ensure that they were processed correctly by the tax relief processors. When we ran the *Year to Date VB Tax Relief Applications* Report on September 28, 2020, we found that 153 of 713 (21%) approved applications did not undergo supervisory review. Management stated that the various challenges associated with learning and implementing the new process, coupled with the goal of providing timely relief, was the reason for this omission.

In our testing of 53 samples, we identified three (6%) that were paid erroneously due to inadequate supporting documentation, totaling \$1,177.00. All three did not undergo supervisory review.

Management should:

- 1.1 Ensure that all applicants undergo supervisory review prior to payment.
- 1.2 Recoup the erroneous payments.
- 1.3 Select a sample from the 153 applications mentioned above and perform a retroactive supervisory review. The sampling method is appropriate due to the low error rate found in our testing.

Consider the following guidelines:

- The number of samples selected should be adequate to achieve a satisfactory level of assurance.
- Samples should be selected from all tax relief processors.

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- If the error rate is high during sample testing, management should retroactively review all applications.

Our finding and recommendations have been discussed and agreed upon with management.

We would like to thank the management and staff of Human Services and Information Systems for their courteous assistance during the course of our engagement.

Should you have any questions, please do not hesitate to contact me at 385-5872 or via e-mail at lremias@vbgov.com.

Sincerely,



Lyndon S. Remias, CPA, CIA
City Auditor

LSR/ag

c: Kenneth L. Chandler, Deputy City Manager
David A. Bradley, Deputy City Manager
Aileen L. Smith, Director, Human Services
Deidria W. Bolden, Deputy Director, Human Services
Kevin M. Chatellier, Director, Budget and Management Services
Wendy Hu, Acting Co-Director, Finance
Jeffrey R. Rodarmel, Acting Co-Director, Finance

Department of Human Services



Virginia Beach Tax Relief Program

Deidria W. Bolden

Deputy Director, Social Services

December 17th, 2020

Audit Report Response

Results of the Review:

1. **Finding: Based on the Year to Date Virginia Beach Tax Relief Approved Applications report pulled on September 28, 2020, 153 out of 713 applications (21%) did not undergo supervisory review to ensure that they were processed correctly by the tax relief processors. Out of a random sample of 53 applications, three (6%) were identified as erroneous payments to citizens due to lack of supporting documentation.**

To address the recommendations for this finding:

- 1.0 The VB Tax Relief Supervisor will ensure all applications after the September 28, 2020 report undergo a supervisory review.
 - 1.1 Out of the three applications identified as erroneous payments, two will require recoupment.
 - 1.2 DHS Leadership is working with other city departments to determine a repayment process for the payment errors.
 - 1.3 There was one application reviewed that resulted in a stop payment of the tax relief check due to the citizen being ineligible. The mistake was discovered prior to the issuance of the tax relief payment.
- 1.2 The VB Tax Relief Supervisor will conduct a review of 10% of the 153 applications and review for accuracy.
 - The random sample review will include applications processed by all tax relief processors.